Daily Report

Latin America

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Argentina: OAS May Help Ease Tension Between Cuba, U.S.

PY0706150795 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1056 GMT 7 Jun 95

[FBIS Translated Text] Montrouis, Haiti, 7 Jun (AFP-NA) — Argentina has expressed the view in Haiti that within the framework of the efforts the OAS is making so that Cuba can rejoin this regional organization, the OAS may contribute to easing the tension between the United States and the Caribbean island.

Cuba was suspended from the OAS in 1962 for having abandoned democracy. In his opening speech at the 25th OAS General Assembly in Montrouis, OAS Secretary General Cesar Gaviria called upon the governments of the Western Hemisphere to "give" Cubans "an opportunity."

Hernan Patino Mayer, the Argentine ambassador to the OAS, told AFP news agency that "this is an intelligent proposal. It is a significant initiative because the OAS may help to improve Cuba's situation on the economic, political, and human rights fronts."

"I believe that the Americas must show solidarity in this situation," he added.

Patino Mayer was of the opinion that within the framework of the efforts made to that effect, "I think the OAS may alleviate this bilateral tension, which is characteristic of the Cold War atmosphere between the United States and Cuba."

Asked about the mechanisms to be applied for putting Gaviria's proposal into practice, Patino Mayer replied that such mechanisms "are in the hands of the secretary general."

The Argentine ambassador added: "He has put forward a proposal in his opening speech, so I suppose that he must know what to do in terms of following up on it."

Patino Mayer further stated: "It is a matter of great satisfaction for us to have listened to the OAS secretary general deal with the issue of Cuba so comprehensively. In other words, he did not omit any aspect" of the problems facing Cuba.

"Cuba is experiencing hardships. It is also going through a particular political and human rights situation," he explained.

With regard to the door that Gaviria left open through his proposal to find a way that would enable Cuba to once again become a member of the OAS — after having been suspended in 1962 for renouncing democracy — Patino Mayer said that it is incumbent upon Gaviria himself "to take the initiative" concerning the path that must be taken.

He expressed the belief that it would not be necessary to resort to the Permanent Council, as the secretary general "has ample leeway as long as he acts with equanimity concerning the three aspects I have mentioned; namely, the economic crisis, the human rights crisis, and the political crisis affecting Cuba."

Patino Mayer pointed out: "I think that the OAS may be of great service to the cause of the definite reinstatement of Cuba into the OAS, as long as we can strike a proper balance, rather than continuing to act as ostriches by turning a blind eye to a problem that concerns us all, and somehow benefits no one."

Secretary General Says OAS Must Address Cuba Issue

PA0706160695 Madrid EFE in Spanish 1706 GMT 6 Jun 95

[FBIS Translated Text] Montrouis (Haiti), 6 Jun (EFE) — OAS Secretary General Cesar Gaviria said today that no specific proposal has been made on Cuba, "we have simply introduced a subject on which all countries agree the OAS must act constructively at one time or another.

In a statement for the press in the Haitian city of Montrouis, where the OAS is holding its 25th General Assembly, Gaviria said the idea is to determine "how we can help Cuba accelerate changes, advance, make more political changes, and eventually reincorporate that nation into the inter-American system."

In that sense, Gaviria added, "we must seek mechanisms to reconcile Cuba so the values we share within the organization can also be shared with Cuba."

"We hope those conditions will be present soon in order to begin a dialogue and so the OAS can help resolve what still can be viewed as the main political problem on the American Continent," Gaviria said.

Gaviria preferred not to comment on the U.S. blockade against Cuba, stating: "it is a bilateral matter which we all hope Cuba and the United States will resolve. You all know the position of most Latin American nations."

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Cuba

Commentary Challenges OAS To Find Solutions

FL0706223995 Havana Radio Rebelde Network in Spanish 1155 GMT 7 Jun 95

["Our Opinion" commentary by Eduardo Dimas; from the "Doing Radio" program]

[FBIS Translated Text] Since 5 June, the Organization of American States has been holding its 25th general assembly in Haiti with the participation of approximately 700 delegates, including ministers, ambassadors, and advisers from 34 countries. The site of the assembly, the Mediterranean Club in Montrouis, 74 km away from Port-au-Prince, cost the Haitian Government $3 million to renovate. Many observers ask themselves whether it was necessary for such a poor country to spend so much money on the meeting. But the Aristide government hopes that the forum will help attract the attention of possible investors.

On the first day of sessions, the foreign ministers of the member countries analyzed mechanisms for implementing the agreements of the Summit of the Americas, celebrated in Miami in December. As many may remember, one of the main points of that summit was the fight against poverty, illiteracy, and disease and the eradication of them by the years 2005 and 2010; in other words, in the next century.

I do not know what the Latin American foreign ministers may conclude on the matter, but it seems very difficult that they will advance this year if we base our analysis on the most recent study by the International Monetary Fund [IMF]. According to the IMF's latest report, Latin America's external debt will increase by more than five percent, reaching $551 billion, and the region will be the main net exporter of capital with a total of $87 billion, the equivalent of 37.5 percent of its Gross Domestic Product in order to meet its commitments.

In the same report, the IMF places Latin America in last place in economic growth on the planet with a figure of 2.3 percent for 1995. It is difficult, with such indicators, for one to even begin thinking of starting a fight against poverty, especially if we consider the unfair distribution of wealth that exists in the subcontinent — a problem that was not considered at the so-called Miami Summit.

If there is something interesting about these regional meetings it is that they do not get to the bottom of the Latin American problem nor do they propose a solution. With the respect to the foreign ministers, it is almost as if it were all empty words. According to sources at the meeting, the rest of the agenda is completely routine: continental security, development, and trade.

By the way, in the case of regional security, it is evident that the agreements of 1948 for the struggle against the alleged Communist enemy have been surpassed by reality. Based on that, some ministers highlighted the necessity of updating the agreements. The Costa Rican foreign minister, for example, pointed out that the security agreements cannot be simply military because there are current aspects that are outside of that framework such as drug trafficking, money laundering, and terrorism. In that sense, it is evident that the regional security agreements need to be updated.

Nevertheless, one can expect that this point of the agenda will be avoided in the meeting summoned by the United States for June 1996 in Williamsburg, Virginia, with all the defense ministers and the heads of Latin American Armies, where they will attempt to convert the sub-continental armed forces into simple national guards.

The Cuban issue, even though it is not part of the agenda, was also present. The majority of the foreign ministers expressed themselves in favor of Cuba's insertion into the Latin American system, but many conditioned that possibility on the realization of changes in our political system that they term as democratic. Alexander Watson, U.S. undersecretary of state over Latin American affairs, agreed with the concern of the foreign ministers but only if there are changes: something that is entirely up to us and no one else. This should remain very clear.

If you want my opinion, this 25th OAS general assembly will be recorded in history as so many others: without any glories. Nowadays, it is not enough to get together and express through eloquent speeches the problems that affect Latin America. The challenge for today and tomorrow is to solve those problems once and for all and very little has been said about this during the meeting.

Robaina: Cuba's Return to OAS To Be Unconditional

FL0706185195 Havana Tele Rebelde Network in Spanish 1630 GMT 7 June 95

[From the "NTV" newscast]

[FBIS Translated Text] Cuba curbed speculation arising at the 25th Organization of American States [OAS] General Assembly by confirming its habitual rejection of rejoining the organization under conditions. Foreign Minister Roberto Robaina said that an eventual return of Cuba to the OAS should be unconditional and without hampering national sovereignty. Although Cuba was not officially included on the meeting's agenda, it has been a highly debated issue off the record. The regional

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meeting is being held in Montrouis, a tourist destination located 70 kilometers north of the capital of Haiti, Port-au-Prince.

Guantanamo Naval Base Illegality Discussed

FL0806010295

[FBIS Editorial Report] Havana Cuba Vision Network in Spanish at 0110 GMT on 7 June carries its 27-minute regularly scheduled "Open Agenda" program on the conference on the "illegality" of the Guantanamo Naval Base. Reception is mainly poor, with many indistinct segments throughout.

The program begins with a video description of the different parts of Guantanamo Bay and the U.S. naval base. All that is shown of the speaker is his hand pointing to different parts of the map, or describing brief video shots.

Host Antonio Resillez introduces the topic and notes that they are broadcasting live from Guantanamo Province. Resillez introduces guest Doctor Olga Miranda, "one of the best authorities on this issue," who is participating in the conference and is a standing member of the Cuban delegation to the immigration talks with the United States.

Miranda describes the nature of the 1903 treaty leasing Guantanamo to the United States, and stresses that the 1903 treaty and 1934 ratification treaty do not include terms for termination of the lease. Miranda points out that the treaties "include every violation because our people were subjected to intimidation, violence, coercion, threats, and the use of force in all its forms."

Resillez and Miranda broach the addresses held on the first day of the conference. Miranda stresses that many of the addresses "help to understand the entire historical, political, and judicial aspects involved in the case of Guantanamo."

Resillez introduces a video of brief statements by several of the foreign participants in the conference. The speakers stress the importance of the conference, and of respect and mutual accord between nations.

Next, Miranda goes on to stress that the treaty limits the use of the territory for coal loading — now obsolete, and military operations, "and for not other purposes." Miranda points out that "there is no legal ground for the base, the only ground is the groundless reason of the use of force." Miranda adds that the occupation of the base by the United States is in violation of international law, and "is the vestige of colonial occupation in violation of the UN Charter."

Resillez then brings up the issue of the Helms-Burton bill. Miranda replies that the bill is an extension of the Platt Amendment, it seeks the same goal of foreign occupation of Cuba, and is "inconceivable at this point in time."

Resillez closes the program by introducing a four-minute segment of recorded interviews with former workers at the naval base, now elderly, who recall the physical abuse, attacks by drunken GI's, and general disrespect the Americans showed to Cubans and their families.

Alracon Speaks at Conference on Guantanamo Issue

FL0706162595 Havana Radio Rebelde Network in Spanish 0900 GMT 7 Jun 95

[Report by correspondent Jose Mejias in Guantanamo; from the "Doing Radio" program]

[FBIS Translated Text] The first scientific international event on the illegality of the Guantanamo Naval Base began here in Guantanamo Province on 6 June, and at precisely 0910 Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, delivered his speech and reflected upon the illegality of the Guantanamo Naval Base. Alarcon also drew an historic parallel between the Platte Amendment and Mr. Robert Torricelli, as well as the new Helms-Burton bill. However, I wish to stress the marked increase in interest in the Guantanamo Naval Base, and the significance of the base to Caribbean nations such as Haiti, and to the current state of relations between the United States and Cuba. Alarcon referred to all these issues in his speech.

[Begin Alarcon recording] Here we begin this important academic exercise and therefore I encourage [words indistinct] ongoing reflection by historical investigators, professors, and students on these and other fundamental aspects of international law, keeping in mind how they relate to Cuban issues, to Cuban relations in the contemporary world. The fact that others outside our borders continue trying to manipulate and direct our national destiny should also be remembered. For these and other reasons, all related to this international law meeting are committed to assure that this intellectual information is spread to our citizens, and to do everything possible to expand the legal culture of our people, to increase their knowledge on all these issues. This conference is much more valuable than a purely academic investigation, and has a great deal to do with the creating awareness, with educating the people, with this necessary [passage indistinct] progress of a small nation which had to undergo the historic experience of being the first and primary

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victim of the leading protagonist of the first imperialist war, and — due to historic necessity — for always having been placed on the forefront of the confrontation between the people of Latin America and the Caribbean. [end recording]

I would like to note that Doctor Miguel D'Estefano Pissani, president of the Cuban International Law Society, and emeritus professor at the University of Havana and at the Higher Institute of International Relations, also spoke yesterday, and Doctor Olga Miranda, vice president of the Cuban International Law Society, led a teaching conference about the naval base and the migration problem. Doctor of Sciences Luis Garcia Cullaro from the Center for Disarmament Studies and International Security delivered a special report that will be covered on subsequent programs.

Jurist Exposes Consequences of U.S. Plans for Guantanamo

PA0706203695 Havana PRENSA LATINA in Spanish 0506 GMT 7 Jun 95

[FBIS Translated Text] Guantanamo, Cuba, 7 Jun (PL) — A renown Cuban jurist has warned on the increase of tensions in the region if U.S. plans to change the status of its Naval Base in Guantanamo take place.

U.S. military experts are studying the possibility of ceasing the use of that enclave as a naval training center and turning it into a support base for the U.S. fleet in the Atlantic.

Dr. Luis Garcia Cunarro, of the Center for Studies on Disarmament and International Security, said those plans would officially confirm the role of "interventionist springboard" played by that base, located 25 km south of Havana.

Garcia Cunarro spoke last night before 200 jurists and experts from all over the country attending the "First Scientific Conference on the Illegality of the Guantanamo Naval Base," occupied by the United States since the beginning of the century.

He underscored that if these plans take place next year, the U.S. military enclave could begin servicing a group of ships assigned to permanently operate in the Caribbean, as well as in Central and South America.

Its functions — he added — would include being an advanced guard or rapid action force in the area, which will turn the base into "a knife threatening to cut the fragile thread of regional peace."

The Cuban jurist made a recount of what he labeled as "systematic provocations" of the U.S. forces based in that location and a center of "constant violations" of Cuban airspace.

Currano said that since 1962 up until the present 8,304 violations have been committed, which represent — he noted — a violation of Cuban national sovereignty every 36 hours.

Ricardo Alarcon, president of the National Assembly of the People's Government (Parliament), inaugurated yesterday the conference, which has gathered here renown personalities of the Cuban jurisprudence. The conference will continue until next Thursday.

Seven lectures and round tables about several historical and legal aspects of the U.S. military occupation and the consequences to the country have been announced for today.

New Agriculture Mechanism Recognizes Individual Efforts

FL0806010495 Havana Radio Rebelde Network in Spanish 2300 GMT 6 Jun 95

[From the "Exclusive" program]

[FBIS Translated Text] As part of the transformations in Cuban agriculture, beginning in July a system of incentives will be implemented on an a trial basis in an effort to optimize the potential of state farms. The new standards and procedures will improve the ratio between revenues and productive economic results since they include mechanisms to recognize efforts according to contributions. This was announced by Vice Agriculture Minister Eduardo Chao.

In July, every province will introduce the system in one center in order to study its practical implementation, while encouraging the participation of workers, union movement, and management in the analysis of the project. This system seeks to increase production, productivity, and optimize the use of labor reserves, as well as reducing costs. With this initiative for state farms, the Agriculture Ministry virtually completes the process of reorganization of its system of enterprises which experienced a decisive phase with the creation of the basic cooperative production units.

Inter-Caribbean Affairs

Canada Proposes Summit Follow-up, Preparation for Cuba

FL0806010795 Bridgetown CANA in English 2220 GMT 7 June 95

[FBIS Transcribed Text] Port-of-Prince, Haiti, June 7, CANA — Canada has proposed the creation of a more

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formal management mechanism at the Organisation of American States (OAS) to follow-up the decisions taken by hemispheric leaders at the Summit of the Americas.

Addressing the 25th session of the OAS General Assembly, Canada's Secretary of State for Latin America and Africa, Christine Stewart, noted that the OAS emerged from the Summit of the Americas with a clear endorsement as the primary forum for hemispheric dialogue and cooperation in a variety of spheres, and a paramount role in implementing many areas of the Action Plan.

"It is imperative now that the OAS rise to the challenge and prove itself capable of responding to the needs and priorities identified by the leaders of the hemisphere. This will require decisive and timely action on the part of the Organisation," Stewart said.

It is with this in mind, she added, that "Canada is now proposing the creation of a more formal management mechanism at the OAS — a Special Committee on Summit Management. We believe this mechanism will demonstrate the importance the OAS ascribes to Summit follow-up, provide the organisation with the tools it needs to produce concrete, practical results, and thereby help it to consolidate its position as the hemisphere's foremost political forum," Stewart said.

Turning to Canada's position regarding the OAS' 35th member, Cuba, whose government remains in suspension, Stewart said the policy of her country "has been one of constructive engagement. We believe that political and economic advances can be encouraged by maintaining a dialogue with the Cuban people and government. And while Canada recognises that there is still much progress to be made in Cuba, in particular in the areas of human rights and democratic development, we believe that the OAS should begin to examine ways of opening up a similar dialogue with Cuba, looking toward the day when conditions will be appropriate for its reintegration into the inter-American system."

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Director Denies Terms Applied to Foreign Investment

PA0706022695 Mexico City NOTIMEX in Spanish 0001 GMT 6 Jun 95

[FBIS Translated Text] Mexico City, 5 Jun (NOTIMEX) — Today, Carlos Garcia, general director of foreign investment of the Mexican Trade Secretariat, denied the country is applying "terms" to foreign investment or imposing limitations on the freedom to transfer resources.

On the contrary, the federal government will guarantee and grant legal security to foreign capital, so that it will serve as a complement to internal savings and support the production development apparatus of the country, he said in statements to reporters

Garcia said Mexico may soon join the Multilateral Investment Guarantee Agency [Agencia Multilateral de Garantias de Inversion— AMGI], an organization which the World Bank supports and which promotes specific development projects in various parts of the world.

He said this mechanism will permit more foreign capital to enter Mexico, promote the growth of productive sectors, generate new job sources, and develop high technology.

The official added that the AMGI is an opportunity for Mexico to let the international financial community know it is prepared to attract resources based on reciprocity and to offer investors the protection and promotion they require.

He said Mexico's entry into the AMGI will take between two to three months more, a period during which the Mexican authorities will study the advantages offered by this international mechanism.

Its compatibility with the guidelines established in NAFTA will also be studied.

It will be possible through this mechanism to offer competitive advantages, security, and guarantees to foreign investment. He said the agency is an authentic promoter of development projects in various parts of the world.

Garcia said this type of agreement "is a great opportunity for our country to show countries abroad that we are prepared to receive the influx of foreign capital."

He said Mexico maintains negotiations with European countries to join the AMGI, which guarantees specific protection to capital.

"We are negotiating with the governments of Spain, Switzerland, the Netherlands, France, Germany, and Great Britain." Trade Secretary Herminio Blanco will begin signing such agreements within two weeks.

Banxico Halts Efforts To Set Equilibrium Rate for UDI's

PA0706194195 Mexico City Radio Red Network in Spanish 0000 GMT 7 Jun 95

[From the "Evening Monitor" newscast]

[FBIS Translated Text] The Bank of Mexico [Banxico] on 6 June suspended the Inter-Bank Equilibrium Interest Rate [TIIE] for Investment Unit [UDI]-denominated operations because it failed to reflect the financial market.

The central bank issued a communique stating there were wide disparities between the prices [cotizaciones] quoted by banks up to 31 May that were to be used to establish the so-called TIIE for UDI's. Thus the rate was not representative of the market for operations denominated in those accounting units.

After consulting with credit institutions, Banxico decided it was advisable to wait until the market of UDI-denominated banking operations developed before reestablishing the rate.

What does this mean? That the use of UDI's has not become generalized, thus, since there were not enough UDI's in the banks, the first attempt to establish the TIIE for UDI-denominated operations failed.

Banxico said it is advisable to wait until the market for UDI-denominated banking operations becomes more acceptable, developed, and generalized in the markets before reestablishing the rate.

Peace Coordinator on Next Phase of Dialogue

PA0706153195 Mexico City LA JORNADA in Spanish 5 Jun 95 p 15

[Report by Salvador Guerrero Chipres]

[FBIS Translated Text] Marco Antonio Bernal Gutierrez, government coordinator for the peace and harmony dialogue in Chiapas, has said: "It would be inadmissible" and "Mexican society would reproach the EZLN [Zapatist National Liberation Army]" if, having the opportunity to start a straightforward negotiation and after 20 days of consulting the proposal with their grassroots sectors, they come to San Andres Larrainzar "without the mandate to settle any issue."

The chief of the government delegation, which will resume meeting with the EZLN on 7 June, has given an interview to LA JORNADA. He has said the next

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phase of the dialogue "is a crossing point" at which there are many issues to be discussed.

The third meeting to be held in this Chiapas community will take place after the parties reached an initial "minimum agreement" and at a time when it is possible "to broach the causes of the conflict" and start looking for ways to achieve "social reconciliation."

The Mexican Army "has backed" the political solution, "has obeyed" the instructions given by the executive, and there is "no evidence whatsoever that it will stop acting this way."

Bernal's team, which was presented as "a working group" and which was joined by Gustavo Hirales last week, maintains that both sides are willing to put a stop to "the propaganda on the negotiations and related issues."

The government coordinator said public opinion would probably not have recognized the rightfulness of the causes being vindicated by the EZLN Indian sector if the 1 January 1994 insurrection had not taken place. He added the 8 and 9 February military mobilization basically had been ordered to pressure the EZLN and to clarify that it could not "be in the negotiations and at the same time promote armed groups in other parts of the country."

The "working group," which operates from its new offices in a large house on Puebla Street, leaves for Chiapas tomorrow. The "working group" is studying two documents: one published by LA JORNADA on the political personalities who have taken advantage of the conflict to speculate with country estates and the 12 May document signed by Subcommander Marcos.

One of the paragraphs of the communique issued by the EZLN command reads: "The government negotiators (who were leftists yesterday and repenters today) say: Let us resolve the causes of the uprising."

Bernal has said that despite the criticisms made by several sectors and publications, the Mexican Army has only mobilized, since 12 January 1994, to reinstate order in a peaceful manner and "never to combat the EZLN."

[LA JORNADA] What is the perspective for this phase and what is its importance in the negotiation process?

[Bernal] This phase is important for several reasons. First, because it is a crossing point in the negotiations. They have to give us an answer—that is the commitment—on their consultations regarding the detente document. Two, they will present the path they have chosen. We have already signed an agreement. They now have to say what path they have chosen. Three, we have to discuss rules of procedures and the agenda. I believe we have a large number of points to discuss at this meeting, and our perspective is that the conditions are right for us to discuss fundamental issues. We will be able to broach the causes of the conflict, and I believe this is one of the most important moments of the negotiations.

"As of today, there can be a big advancement in the negotiation process, but—we also have to admit—there could be a big holdup in the process. How can this happen? Well, the other issues will naturally be curtailed if we continue to get bogged down on the detente discussion."

[LA JORNADA] We know the discussion on the detente issue has been extremely difficult. Have you gotten to the point where you are talking about the same concept when you refer to detente?

[Bernal] I believe that in principle, signing the minimum agreement tells us we already have an idea in common, a minimum agreement. That does not mean it will be used tomorrow. There are still some very important procedural details to be worked out. Nevertheless, we have a agreement based on the idea that the detente measures should lead us to social reconciliation and that the EZLN should act accordingly if the Army regroups so there is reciprocity between the parties. I think this is a good beginning.

Bernal said "they had done a good job in furthering the climate of trust" between the EZLN and the government delegation.

"As in all negotiations, the two parties begin with extreme positions because they don't exactly know what it is one or both of them are looking for. We have made advances in the dialogue, sometimes amiably and sometimes harshly, and have established the initial communication ties essential to this process. That does not mean we are finished; it means we are on the road. It is essential that we establish ties of understanding and rationality in exchanging proposals. We must understand each others' views and engage in negotiations. It is not a matter of the government or the EZLN losing; it is not a matter of having a winner and a loser: The idea is for the parties to reach an agreement, for Mexico to emerge the winner, and for Chiapan society to emerge the winner. In the future, we will face both difficult and good times. We are dealing with very difficult issues, and I think that for now we have reached an agreement that we hope will serve as the basis for future understanding."

[LA JORNADA] Has the government learned more about the EZLN than the causes of the conflict? Didn't

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the CCRI [Clandestine Indian Revolutionary Committee] even say you could disagree with the method but not with the causes?

[Bernal] I do not think so. We have established that we know the causes of the conflict perfectly well. In fact, in a statement issued at the start of the negotiations in San Andres, we noted that the armed struggle is unacceptable, but we admitted that there are causes behind this movement that justify it and that we are in the best disposition to understand those causes.

"Unfortunately, we have not advanced much in this area because we have been discussing the detente issue. The government has insisted, as we have done since the very first meeting, that we should first deal with the agenda, the causes that generated this conflict, to achieve some progress in this area. For us, advancements toward solving this problem and the detente issue are interchangeable concepts. In talking exclusively about military detente, we are also touching on a small part of other problems in the area, and also on the issue of real detente.

"We firmly believe that a real detente in the area will be achieved once we address the causes that generated the problem; once the rights of the Indian community are respected; once there is justice for the Indians; and once the role of the Indian community, as a social factor, a development factor, and even as a political factor...without an armed leadership, is determined."

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El Salvador

FMLN Presents Proposal for Second Year Priorities

PA0806032995 San Salvador EL DIARIO DE HOY in Spanish 6 Jun 95 p 4

[FBIS Translated Text] Yesterday, the FMLN [Farabundo Marti National Liberation Front] presented to President Calderon Sol a proposal stating its priorities for the second year of government.

In addition, the legislative bloc of the FMLN criticized yesterday a 30-percent increase in the price of such basic services as water, electricity, and telephone for the coming two years.

"The FMLN proposed the drafting of a regulatory framework of rates that leads to an efficient and orderly collection and that particularly ends abuses," Orlando Quinteros, FMLN faction leader, said.

In a 13-point agenda, Deputy Quinteros asked the government to redesign the financial system as an instrument to increase the potential of the national economy and to give precedence to aspects such as productive development, democratization of the financial system, and respect for legality.

He also proposed adopting emergency and short-term measures such as reducing costs, as well as strengthening the growth of the economy and the domestic market.

These measures will also lead the reconstruction and will focus national efforts on education and culture through an in-depth transformation of the educational system and the training of teachers.

As for education, Quinteros also proposed increasing the number of shools and creating a program to promote sports and the arts among youths.

The FMLN recommended a labor reform geared to promote the participation of workers at certain levels of decisionmaking regarding material and cultural benefits.

The FMLN leaser recommended a tax reform "to recover the six points of the VAT [value-added tax] that Salvadorans are charged with or evade.

Quinteros further suggested that a social development plan be drafted to eradicate poverty along with a regulatory privatization plan to establish a framework of what should and should not be privatized.

Decentralization and local development with a provisional plan on land taxes "that allocates resources to the municipalities so that they can assume social responsibilities," was another recommendation made by this party.

The FMLN proposed that a national strategy be drafted against crime and organized crime, that the number of agents be increased, and that the current legislation be updated.

In addition, the FMLN proposed cleaning up the environment, speeding up the reform of the state via a reform of the budget structure and an evaluation of the government in each institution, and strengthening the role of the Court of Accounts to fight corruption.

Guatemala

Defense Minister Denies Existence of Clandestine Jails

PA0706130195 Guatemala City Televisiete Television in Spanish 1900 GMT 6 Jun 95

[From the "Channel Seven News"]

[FBIS Translated Text] Defense Minister Mario Rene Enriquez has referred to the claims of various sectors that are reporting on the existence of clandestine jails.

[Begin recording] [Enriquez] I have always said, I have always confirmed, confirm now, and will continue to confirm that there have been no clandestine jails in Guatemala.

[Unidentified reporter] These documents affirm that there have been clandestine jails.

[Enriquez] They can say that, but the minister says no. They can say that. That is precisely why investigations exist. If we all agreed on what was said about something, or about someone, then why would there be a need for any investigations? I believe that one of the things that should satisfy, not the anxiety, but the pretense [2-second break in reception] clandestine jails. I believe that claim has been weakened because Minugua [United Nations Mission for Guatemala] has visited all the military commands specifically to find out about that, since there have been so many accusations.

There are places where they have raised camps and after seven months of being there, there is nothing there. We have to be careful not to speak in this way, because it could be that a clandestine jail could be interpreted by them as a military installation, or a military installation could be said to be a clandestine jail. The Honor Guard, [indistinct words] Chavala, Peten headquarters, it could be, but in reality there is none.

What I can tell you is that, after 34 years of fighting, it seems as though we are reaching the end of this conflict, and much dirty linen is being brought out into the sun. [end recording]

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Enriquez also referred to the case of the returnees to San Antonio Ceja, who complained that civilian self-defense patrols prevented them from moving about freely.

Enriquez said that [2 second break in reception] situation has been resolved, waiting for a group of neighbors from that location to accept the fact that 23 families have joined the population, so that their return can be peaceful and stable.

Panama

Perez Balladares' Approval Rating Drops 48 Points

PA0706022795 Panama City EL PANAMA AMERICA in Spanish 6 Jun 95 p 1

[FBIS Translated Text] President Ernesto Perez Balladares' approval rating "substantially dropped" 48 points during his first nine months as head of the government, according to a recent Cid/Gallup poll exclusively conducted for EL PANAMA AMERICA.

The results of the poll, conducted between 20-27 May, which included the interviewing of 1,200 people, indicate the "drop in (Perez Balladares') approval rating has been sharper in the first half of 1995."

To measure the drop in the president's approval rating, Cid/Gallup subtracted the percentage of favorable opinions from the negative ones. When he was sworn in, Perez Balladares had a 58 percent approval rating; in January, he had 42 percentage points, and now he only has a 10 percent approval.

Among those interviewed who said they were members of the Democratic Revolutionary Party (PRD), 50 percent said they agreed with presidential reelections.

The poll also revealed that former President Guillermo Endara, out of 12 prominent political figures, is the one with the highest number of unfavorable opinions. The group includes Perez Balladares himself, Legislative Assembly Chairman Balbina Herrera, former presidential candidate Ruben Blades, Health Minister Aida de Rivera, former presidential candidate Mireya Moscoso, Public Works Minister Luis Blanco, Foreign Minister Gabriel Lewis Galindo, Guillermo Chapman, the planning and economic policy minister, Vice President Tomas Altamirano Duque, Labor Minister Mitchell Doens, and Finance Minister Olmedo Miranda.

As for political parties, the Cid/Gallup poll reveals that the PRD has the greatest support with 32 percent. It is followed by the Arnulfista Party, with 12 percent; Papa Egoro, with 10 percent; Molirena [Nationalist Liberal Republican Movement], with 5 percent; PDC [Christian Democratic Party], with 2 percent; Civic Renewal Party, 1.4 percent; Solidarity Party, 1.3 percent; Labor Party, 1.2 percent; and Morena [National Renewal Movement], 1 percent.

As for the future of the Southern Command bases, eight of every 10 people interviewed said the bases should remain in our territory. A total of 17 percent of those interviewed rejected that possibility, and 5 percent abstained from answering the question.

A total of 80 percent of the Panamanians interviewed said the government "must speak now" with the Americans to renegotiate the presence of the bases.

As for the Interoceanic Region Authority (ARI), the results of the Cid/Gallup poll revealed that only 30 percent of those interviewed knew a great deal or a little about the organization in charge of the reverted areas.

A total of 53 percent of those interviewed said, however, they had great confidence or some confidence in the work that could be done by its administrator, Nicolas Ardito Barletta.

The poll also revealed a certain pessimism among Panamanians: Seven of every 10 of them said the country is "headed the wrong way."

Assembly Approves Tax Bill in Second Debate; Conep Reacts

PA0706184495 Panama City Circuito RPC Television in Spanish 2300 GMT 6 Jun 95

[From "RPC Television News" newscast]

[FBIS Translated Text] In a marathon-like session that lasted more than 10 hours, the Legislative Assembly approved the Across-the-Board Tax Incentives bill during a second debate. The controversial bill was approved at 0530 today following lengthy discussions among Assembly members.

The most heated debates occurred during the discussion of Article 6 of the bill which approved the establishment of a 15-percent tax on free zone enterprises.

As a result of this situation, business sectors rejected the bill and announced that they will make efforts to get President Ernesto Perez Balladares to partially veto it.

[Begin Guillermo Fernandez, president of the National Council of Private Enterprise, Conep, recording] What we will try do now is to get the president veto it and return it to the Assembly so that the small mistakes in it can be corrected. [end recording]

The small mistakes, according to Fernandez, are the 15-percent tax on profits for Colon Free Zone businesses and the elimination of loans guaranteed by deposits.

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Both measures were approved at the Legislative Assembly early today amid heated debates.

In Fernandez' opinion, the Assembly made a serious mistake because it has no knowledge of the way in which the national economy is handled.

[Begin Fernandez recording] If the Assembly continues to ignore the private sector, just as it is ignoring it with regard to the education bill, it will continue to make mistakes. [end recording]

Fernandez believes that the effects of these decisions will be negative. He cited as an example the fact that the loans backed by deposits will be made at other banking centers thus affecting the Panamanian banking center.

Bankers, Business Sector Oppose Reforms

PA0706174895 Panama City ACAN in Spanish 2133 GMT 6 Jun 95

[FBIS Translated Text] Panama City, 6 Jun (ACAN-EFE) — Today, bankers and business representatives from the Colon Free Zone expressed their rejection for the new taxes that according to new legislation could go into effect this year. They warned of the serious consequences the bill will have on the local economy.

The National Assembly yesterday approved the Across-the-board Tax Incentives bill in a second debate. The government intends to do away with the "club of the privileged" and increase tax collection to carry out several investment projects.

The bill must now go for a third round of discussion and the president's approval. It will enable the Panamanian Government to collect an additional $80 million a year, according to preliminary estimates by bankers and business representatives.

Paulino Garcia Toruno, vice president of the Panamanian Banking Association, told ACAN-EFE that, under the new law, time deposits made to serve as collateral on investment loans will no longer be tax exempt.

Applying the new legislation "is a mistake." It violates the Basel Convention, which governs the banking industry, and will affect the local credit market. Garcia believes the market will contract, particularly industry and trade.

Garcia Toruno quoted the Panamanian banking center's credit portfolio at $1.4 billion. There are currently more than 100 banks operating in the financial center.

The new legislation "is bad for depositors and bad for the banks, as they will grant less money in credits. It is bad for the stability of current deposits and the image of the banking center," the banker explained.

He also pointed out that bank solvency will decrease and there will be less savings. Credit will become hard to get, and that will affect investment.

Garcia Toruno argued that Panama's image as a "fiscal paradise" will be affected "in some way."

Ashok Nandwani, vice president of the Association of Colon Free Zone Users, believes the new package is the "easiest" way to collect more taxes and the law's immediate effect will be that "no more new investors will be arriving."

According to the proposal, Nandwani explained, businesses must pay a 15 percent annual tax on profit in three installments, but will not be entitled to credit for losses.

Speaking to ACAN-EFE, he said that port activity will decrease and unemployment will increase, particularly in the area of construction, which employs 2,000 workers inside the free zone, where there are now 1,500 companies in operation.

Nandwani said "we are quite concerned and disappointed with the approval of this bill without a consensus." The new law will double current fiscal obligations, without taking into account the domino effect and foreign competition.

In his view, the Across-the-Board Tax Incentives bill is just a "tax reform" that will adversely affect the Free Zone's annual contribution to the GNP, which stands at 10 percent or about $200 million."

Nandwani announced that the Association of Colon Free Zone Users will meet tomorrow, Wednesday, to assess the impact the new law could have on trade and business, and the actions they plan to take.

Correction to Experts Discuss Departure of U.S. Bases

PA0506132095

The following correction pertains to the item headlined "Experts Discuss Departure of U.S. Bases," which appeared in the 5 June Latin America DAILY REPORT, page 37:

Column one, paragraph one, sentence one make read: ...1530 GMT on 4 June broadcasts a... (changing date from "6" to "4 June")

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Argentina

German Minister of Economics Meets With President Menem

PY0706184695 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1412 GMT 7 Jun 95

[FBIS Translated Text] Buenos Aires, 7 Jun (NA) — President Carlos Menem and German Minister for Economics Guenter Rexrodt today analyzed German investments in Latin America to be promoted within the framework of privatization programs in the region and Mercosur [Common Market of the South] in particular.

Menem received the German minister at his office in Government House. Rexrodt was accompanied by German Ambassador to Argentina Wiegand Pabsch, Deputy Economic Under Secretary Wedice Von Dewitz, and German Industrial Union Chairman Hans Olaf Henkel.

Also attending the meeting were Argentine Economy Minister Domingo Cavallo, Secretary General of the Presidency Eduardo Bauza, and Argentine Ambassador to Germany Carlos Keller Sarmiento.

Rexrodt later said his government is convinced Mercosur offers viable alternatives for investments. He underscored that his country is willing to use government collateral to promote exports to the region.

The visitor stated that the credit-rating company Hermes had upgraded Argentina's ranking from four to three, which grants our country more access to loans by German banks.

Concluding, Rexrodt said he is in Argentina with an important trade mission that is following with interest the opening drive and the economic integration process in the hemisphere, with Mercosur as its precedent.

Patents Bill Approval Called 'Precondition' for German Investment

PY0806031895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1623 GMT 7 Jun 95

[FBIS Translated Text] Buenos Aires, 7 Jun (NA) — German Economics Minister Guenter Rexrodt confirmed today that the promulgation of a bill protecting the intellectual property of foreign inventions represents "a precondition for German entrepreneurs to make investments in Argentina."

In this regard Rexrodt said that both Economy Minister Domingo Cavallo and President Carlos Menem had guaranteed to him that an "approved" patents bill, "based on the GATT TRIPs [Trade-Related Intellectual Property Rights] agreement," would be approved "promptly."

The German minister therefore contributed to the existing controversy over the bill on the protection of intellectual property, the key terms of which are pitting executive branch officials against congressmen.

Rexrodt preferred not to anticipate what would happen with German investments if Congress upholds the text approved on 30 March, which was rejected by foreign pharmaceutical laboratories.

During a news conference at the Economy Ministry, the German economics minister emphasized: "I do not indulge in speculations. Menem and Cavallo have guaranteed to me that there will be protection for the intellectual property of investments, and I do not harbor any doubts about their pledge."

Beyond the controversial patents bill issue, Rexrodt believes that Argentina "has an economic framework for investment."

Rexrodt hopes for bilateral trade increases, not only with Argentina but also with the rest of the Mercosur [Common Market of the South] countries.

Rexrodt emphasized: "This region's economic policy is irreversible, and is not populist. There has been a revolution in the mentality of the nations and presidents of this region on market opening."

In conclusion, Rexrodt emphasized: "Efforts are being made to dismantle the prejudices existing in Europe on Latin America." He promised "to publicize Argentina's new image."

Cavallo's Economic Priorities Discussed

95SM0361A Madrid EL PAIS in Spanish 23 May 95 p 62

[Article by Jesus Mota: "Now the Labor Market Has To Be Reformed"]

[FBIS Translated Text] Buenos Aires—"Please do not lump us together with all of the emerging economies. Argentina is a reliable country in which it would have been impossible, for example, to have the sort of disparity between domestic credit growth and reserves that brought on the crisis in Mexico and later spread throughout Latin America. We have fiscal and monetary discipline here." During a meeting with eight Spanish reporters from various newspapers, Domingo Cavallo, Argentina's economy minister, who has become even more powerful, if that is possible, in the wake of Carlos Menem's recent reelection, argues calmly that the post-Mexico financial crisis is over.

Cavallo is justifiably calm because Menem's victory has assuredly halted the hemorrhaging of foreign capital.

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Cavallo explains it thus: "Thirty-five billion dollars entered Argentina over a five-year period. But in four months $5 billion left and another $3 billion were withdrawn from our banking system. But that is over now. But even in the worst days, when these $8 billion fled across our borders as a result of the Mexican crisis and credit tightened greatly, productive investment did not come to a halt in Argentina."

Cavallo, who has traditionally been accused of being a free market extremist and a monetarist, seems to be focusing on more social concerns now. Menem's populist gambit dictates attention to unemployment, which now stands at 12 percent, a rate that Buenos Aires economists say is due to the expansion of the labor force as a result of the incorporation of women and uncontrolled immigration.

Cavallo's brand new concern about jobs has turned into a specific program to reduce unemployment by three percent: deregulating the labor market, reviving the construction sector through direct incentives for the secondary mortgage market, and professional retraining plans for the unemployed. The reform of the labor market seeks to introduce flexible hiring arrangements and legal changes to eliminate what is called "ultra-activity" in labor agreements. "There are no incentives for bargaining agreements in Argentina because the existing ones include permanent clauses. We want the parties to be able to decide freely on the level of bargaining."

One immediately notices Cavallo's "structural" interest in the so-called "financial economy." He cites "three major challenges" for the new stage of Argentine economic policy during Menem's next term. The first is "to eliminate the financial uneasiness caused by the Mexican crisis." The second, of which he seems to have a very clear outline, is "to completely overhaul the Argentine financial system, whose operating margins are too small." The solution is "to privatize the public banks and to encourage mergers between bank offices." The third challenge is to reduce the excessive spending of Argentina's regions, which could, if not controlled, cause a budget deficit. In Argentina, unlike Spain, the regions are the ones that have money available for unemployment benefits, schools, and social programs.

Cavallo recently made a drastic decision: to take over the National Telecommunications Commission (CNT), which is in charge of arbitrating among competitive positions and setting communications rates. "A year and a half ago we decided to appoint people to the commission on a competitive basis. The decision has turned out to be unsatisfactory. Partly because they brought monopolistic ideas with them, and partly because they went around settling their differences in the press. I used to find out about their proposals and frictions in the newspapers. They even made decisions for clear-cut electoral purposes, in the absence of their chairman, who was busy with a political campaign."

"We are going to reorganize the commission," Cavallo explains, "so that it becomes quite clear what role the politicians play and what role the specialists play, and also to clarify some gray areas, for example, whether those with licenses to transmit voice (telephony) are authorized to transmit images, cable TV, for example."

The change in the CNT is decisive for Telefonica de Argentina, because of rates and the cable business. Cavallo has nice things to say about private management: "We are fully satisfied with liberalization. More telephones have been installed than in Argentina's entire history, and the quality of the service has improved. I also deny that liberalization has pushed rates higher."

Denies Recession in Production Activities

PY0806131495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1601 GMT 7 Jun 95

[FBIS Translated Text] Buenos Aires, 7 Jun (NA) — Economy Minister Domingo Cavallo today explained: "There is no recession in production activities." He restricted recession to "a decline in loans and a slowdown in domestic consumption" alone.

Cavallo emphasized: "There is a decline in consumption, but the economy continues to expand, exports are growing quickly, and investments continue to rise."

Barely 24 hours after having admitted for the first time that the economy is going through a period of recession, Cavallo explained that there is a decline in loans alone and that "in July the situation will be normal again."

The economy minister emphasized: "The medium- and long-term growth rate projection is high. [no closing quotation marks as received] He confirmed the government's goal of achieving a 3-percent gross domestic product (GDP) growth this year.

Cavallo even predicted that next year the GDP would grow by 5 percent per year.

Cavallo and his German counterpart, Guenter Rexrodt, held a news conference. Rexrodt arrived in our country on 5 June, heading a delegation of German entrepreneurs.

During the news conference, Cavallo emphatically told his German counterpart that Argentine Airlines would approve a fourth weekly flight for the Lufthansa airline company, linking Buenos Aires with Frankfurt.

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The Argentine economy minister said: "Argentine laws require the holding of negotiations between the two airlines before the government makes a decision on this issue, but we already announced that we will authorize the requested flight."

In return, the Argentine economy minister asked Lufthansa to permit Argentine Airlines to make a stopover in Sao Paulo, Brazil, to pick up passengers booked for the German capital.

Cavallo noted: "We believe the liberal and competitive spirit of the Germans will make Lufthansa issue this authorization."

Cavallo ultimately emphasized that Argentina "has resolved the problem of financing until mid-1996." He therefore emphasized that Argentina would not apply for any loans from international organizations or financial entities.

Nevertheless, Rexrodt emphasized: "Argentina offers solid guarantees for the German financial system and financial systems from the rest of the world to approve loans for Argentina." Rexrodt, however, explained that during his talks with Cavallo, the possibility of a German loan was not discussed.

The Argentine economy minister emphasized the German Finance Ministry's and the Bundesbank's support during the negotiations held with the World Bank, the IDB [Inter-American Development Bank], and the Japanese Eximbank to secure credit lines for our country.

Cavallo also noted that the Deutsche Bank coordinated the sale of Argentine bonds in the European financial market early this year.

Government Position on Provinces Seen Strengthened

95SM0361C (Internet) Argentina Gopher in Spanish 24 May 95

[Commentary by Carlos Abalo: "The Crisis and the Vote Compel the Needed Adjustment"; from EL CRONISTA COMERCIAL News Summary 24 May]

[FBIS Translated Text] It is no accident that the Economy Ministry has insisted that the provinces put their fiscal house in order. In doing so, it now has political backing from the elections and proof of something that was still being debated before the financial crisis. The Economy Ministry's argument was that the provinces with their accounts in order would be in a better position to cope with social and production problems, whereas it seemed that the productive future of many provinces had little to do with the status of government accounts.

The provinces are now starting to believe the Economy Ministry's argument: if their fiscal houses are in good order, they are no longer bound to the frustrating task of administering inadequate funds and can establish promotion policies. To this can be added the election returns from 14 May, which in Rio Negro and Cordoba showed that the reluctance to lower spending does not pay salaries or win elections, and that the provinces in good fiscal shape are the most stable ones. This can be seen in La Pampa and San Luis, and even in Santiago del Estero, where the job has not been finished but it has managed to move from disorder to proper management, although here the problem is whether the next government will be able to keep it up.

At yesterday's meeting of the president with the governors they did not review the situation in the provinces because each has different problems, even in achieving the common goal of cutting their deficits. During the first third of the year the provinces had help from the guarantee paid by the national government over and above revenue-sharing funds, in accordance with the Federal Pact, and there is the commitment to have the Trust Fund in operation sooner. But even so, there are still the problems from the financial crisis. The national funding and contributions curve, which had been rising since convertibility, is flattening out, and the national government is having more trouble helping out the provinces because to date revenues are behind schedule. In turn, the provinces' own revenues stopped growing in 1994, falling from 13.301 billion in 1993 to 13.017 billion in 1994 (whereas the funding and contributions from the national government grew from 14.341 billion to 15.005 billion).

The two-pronged limitation of the crisis makes controlling expenditures more awkward but that much more necessary, in order to prevent the situation from becoming worse than it was in 1994. The political support that the national government can now point to in demanding this was obvious at yesterday's meeting, as was the fact of the crisis, which is another tool for disciplining the provinces.

'Ambitious' Economic Goal Analyzed

95SM0361B (Internet) Argentina Gopher in Spanish 25 May 95

[Commentary by Daniel Naszewski: "Economy Ministry Hopes To Take in Only $500 Million From New Taxpayers"; from EL CRONISTA COMERCIAL News Summary 25 May]

[FBIS Translated Text] A very ambitious goal has been set for the Economy Ministry's calculators: Domingo Cavallo stated yesterday that in two or three years

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he hopes to collect no less than four percent of the GDP [gross domestic product] just in taxes on profits and personal assets, two levies that until a few years ago were almost irrelevant in Argentina. The number he is talking about is some $12 billion, and if it is actually collected, it would be practically double the revenue from these two taxes in 1994, when the profits tax yielded $5.8 billion and the personal assets tax brought in less than $200 million. If the goals set for 1995 are achieved (close to $8.7 billion between the profits and personal assets taxes), then the objective of a budget surplus without privatizations, which was a pledge to the IMF ($6.085 billion), will be much more attainable in spite of the disappointing VAT [value-added tax] revenues in recent months. This revenue ought to improve as of May thanks to the three-point hike in the VAT rate and the expected rise in production.

The crucial question is whether Cavallo will achieve these supergoals. First of all, the government has a specific number in mind for the returns that individuals have to submit in June for these taxes: $500 million. However, we should emphasize that these are the returns from small-scale taxpayers, whom Tacchi is trying to bring in by not requiring them to go to an accountant and letting them pay in installments. But the major fiscal challenge involves the mid-sized and large-scale taxpayers, not the small ones. Noting that profits-tax revenues amounted to $4.272 billion in 1993, we find that 1994 revenues were up a striking 36.3 percent, to $5.822 billion. The draft budget for 1995, which has undergone several modifications, additions, and subtractions so far this year, called for another major, albeit more modest increase: 25 percent, bringing revenues to $7.297 billion.

But then successive corrections were introduced during the first quarter. In late February the Economy Ministry proposed another tax change to bring in an additional $2.411 billion. Some $530 million would come from expanding the base of the profits tax, and no less than $700 million would come from widening the personal-assets tax base, thus boosting the revenues from this tax alone from the originally budgeted $211 million to $911 million. The fiscal shock intensified in March when the new IMF targets were made public, one of them involving a three-point hike in the VAT.

If we combine the numbers from the original 1995 budget and the aforementioned additional revenues, we find that the taxes on profits and personal assets are supposed to bring in $8.738 billion ($7.827 from the profits tax and $911 from the personal assets tax). The difference between this number and last year's revenues from the two levies is about $2.7 billion, or 45 percent. The private analysts consulted do not think that this can be achieved in as complicated a year as 1995.

Impact of Executive-Congressional Problems Seen

95SM0362C (Internet) Argentina Gopher in Spanish 29 May 95

[Commentary by Daniel Naszewski: "The Political Climate Complicates the Economic Situation"; from EL CRONISTA COMERCIAL News Summary 29 May]

[FBIS Translated Text] Few people foresaw the economic repercussions that the massive congressional override of the chief executive's veto of the patent bill and two tax bills may have, as well as the controversy that the new Ministries Law is generating. Just a few days after the president won with around 50 percent of the vote, power struggles are again complicating expectations at a very bad time.

After five months during which the country was close to losing its stability because of the impact of the Mexican crisis, after weeks of preelection uneasiness, talk about a second round, and all that, and just when it finally seemed as though uncertainty would give way to calm, the political class undermined the climate of certainty that the elections had created, thus sounding a warning note that did not go unnoticed either here or abroad. The markets, which are sensitive to the government's moods, took note of this unexpected turning point. Basic economic decisions (sales, investment, returning capital, deposits going back into banks, fresh credit), which had to wait until 15 May, will finally be made now, but more slowly than they ought to be, in order to emerge from the harsh second-quarter recession, which the Latin American Research Foundation's numbers on demand, inventories, and economic activity have begun to reflect.

The experts will theorize about the repercussions of the reprisals that the United States has announced and may take during this period, during which it is coping with its own crisis and is prepared to face down Japan, Argentina, or any other country that opposes the "21st century" growth model (in which services, not goods, will be the focus of world trade). The harsh fact is that the Argentine economy will be hurt most not by the Americans but by Argentine politicians themselves with their ongoing feuds.

The cold, hard numbers show that an economic recovery no longer depends just on reestablishing the virtuous circle of "funds returning to banks/greater lending capacity/recovery of domestic demand/increased revenues." It also depends on whether investors, who were waiting to see the election returns, decide to invest or not. But the rarefied atmosphere created by these clashes between

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the executive branch and Congress is not the best way to restore confidence, which is what businessmen seek before they decide whether they are going to buy, create jobs, bring back their money from overseas, or invest.

With the elections over and with Menem winning without the need for a second round, the country was not expected to have much trouble improving on the awful macroeconomic numbers from the second quarter of the year and from a first third in which revenues were down a full 12.6 percent from the same period in 1994. The idea was that the return of deposits to banks, the slow reestablishment of credit, and a boom in investment after several months of extreme caution would work a miracle and, moreover, lead to a second half in which revenues would again climb. And even if the IMF targets of huge surpluses were not achieved, both fiscal and balance-of-payments accounts would be close to balancing by year end. But now, given the rarefied atmosphere just two weeks after Carlos Menem's clear-cut electoral victory, an economic recovery will be more difficult. And it will not be James Cheek's fault.

Need for More Spending Cuts Advocated

95SM0362B (Internet) Argentina Gopher in Spanish 29 May 95

[Commentary by Ricardo Rosales: "A Cut of 1 Billion Pesos Is Needed"; from EL CRONISTA COMERCIAL News Summary 29 May]

[FBIS Translated Text] In spite of the repeated refusals by economic officials to review the targets of the fiscal program agreed upon with the IMF, there is an increasing consensus among specialists, and even among certain colleagues of Domingo Cavallo, that these targets are becoming less and less attainable as long as the government does exactly what it has announced and continues to trust that an economic recovery in the second half of the year will reverse the current trend.

Among the things that Cavallo could do in the third quarter (when the program would start failing to hit the targets) would be, first and foremost, to cut spending if revenues do not recover, as they have not so far. The extent of the cut is hard to estimate, but if the current fiscal trend does not change, it should be around 800 million to 1 billion pesos.

The question is whether the government is in a position to apply another adjustment of this magnitude. For the time being the assumption is that such an adjustment is not politically viable. Moreover, though, it is correctly pointed out that there is not that much room left for cutting after the most recent spending reductions in late 1994 and early 1995. The viability of such future cuts will depend on their political timing and on the other options that the government has available. In any event, it would be a mistake to rule them out without further ado, especially if the credibility of the convertibility program comes into question.

For the time being the instructions from Finance Secretary Ricardo Gutierrez are to cut wherever necessary in order to hit the targets. Thus, we should not rule out a political decision, spurred by Cavallo, to apply another shock treatment to spending if the accounts do not meet the targets.

In the meantime, the weakness of the tax program continues to be revenues, and as a result they will be 500 million pesos below target in May and another 300 million below in June. Revenues should be around 4 billion pesos in May and five percent higher in June. Thus, the fiscal surplus would be half of what was projected for these two months.

The poor performance in revenues can be explained by the economic context: the drop in sales, lower imports, higher exports, and more tax evasion. The recession in the automotive sector, which is selling half as many new cars as last year, means monthly VAT [value-added tax] losses of more than 75 million pesos for the General Directorate of Taxation. As for imports, Fiscal Analysis [not further identified] has estimated 1.6 billion pesos in May, but the actual level is far below this, and as a result revenues from foreign-trade taxes this month are around 35 percent below the target.

Financial hardship and increased evasion can also be seen from the plummeting payments under the social security and tax amnesty in May. Until the third week of the month revenues from voluntary returns were 46 percent below schedule, while social security revenues were 72 percent below. The behavior of taxpayers would thus indicate that they made use of the tax amnesty to make good their previous evasions, but have not yet paid all the taxes they owe. Carlos Tacchi, the man in charge of public revenues, is disappointed by these results but blames the IMF.

Tacchi did not support the three-point hike in the VAT and argued that the 2.2 billion peso increase in revenues projected in the letter of intent would not come to pass because with a slower economy and tighter credit there would be strong incentives for evasion. Tacchi accuses the IMF experts of being as short-sighted as they were in Hungary when they encouraged a 50 percent hike in the VAT, which had disastrous results for the tax bureau, which seeing this failure also scuttled the reform policies that had been initiated in the former Soviet-bloc country.

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Need for Additional Economic Measures Seen

95SM0362A (Internet) Argentina Gopher in Spanish 31 May 95

[Commentary by Walter Graziano: "The Need for Another Shock Treatment Grows"; from EL CRONISTA COMERCIAL News Summary 31 May]

[FBIS Translated Text] May tax revenues remain far behind schedule. This confirms the downtrend in revenues in spite of the full effect of the most recent tax package. In the face of this situation, the worst thing that could happen would be for nothing to happen, because expectations could again suddenly deteriorate. Two "for instances" should suffice to illustrate this assertion.

When the decision was made around October to break the agreement with the IMF, the argument being that there was abundant financing for Argentina in international markets, the demand for Treasury bills had to start weakening before the government realized that it was running the risk of insufficient financing.

Last December, when it became obvious that the government could not doze off, or just keep repeating that "Argentina is not Mexico," but had to move quickly to counter the "tequila effect," credit tightened rapidly and severely before the government reacted belatedly and enacted the package of measures that barely contained the crisis.

We are now running the risk of getting into a similar situation. Convertibility is still weak; there are still 2 billion pesos in the monetary base that are without backing in gold and foreign exchange. There are still huge difficulties in the financial market, and there is still an overall balance of payments deficit. If the government reacts passively to all this in the fiscal arena, waiting once again for a miracle to put accounts back into balance, then as in October and December a crisis may again be needed to wake up the authorities.

The problem is that they would be starting from a much shakier base this time, owing to the delicate health of the financial system and, increasingly, of the nonfinancial private sector as a result of the obvious drop in the level of sales and activity. A long delay in getting the situation back on track may bring on another crisis, which the Argentine economy does not seem in a position to endure without major trauma.

Di Tella Rules Out 8 Jun Agreement With UK Over Oil Prospecting

PY0706172995 Buenos Aires TELAM in Spanish 1419 GMT 7 Jun 95

[FBIS Translated Text] Buenos Aires, 7 Jun (TELAM) — Speaking on 7 June, Foreign Minister Guido Di Tella ruled out the possibility that, during his meeting with British counterpart Douglas Hurd on 8 June, an agreement will be worked out about oil exploitation around the Malvinas Islands.

Speaking by phone from London, Di Tella told TELAM: "I do not think we will reach agreement tomorrow. Negotiations will continue next week" through the Bilateral Technical Commission.

Commenting on tomorrow's meeting on oil prospecting, the foreign minister noted: "There is a 50 percent chance we will come to an agreement and 50 percent that we will not."

Di Tella explained: "We have adopted a very strong position — we will do nothing to compromise our sovereign rights in the least."

He asserted: "We will not allow a cooperation project to be used by Great Britain to introduce arguments about sovereignty" over the islands.

Di Tella conceded that "one of the most difficult problems" is a possible British claim to oil royalties.

He explained: "We do not acknowledge the British Crown's claim to those territories. We must find an "ad hoc" formula. This is what we are trying to do, but we have yet to find a mutually satisfactory agreement."

The foreign minister said the British proposal of paying compensation to the Kelpers in exchange for sovereignty over the islands could "probably be broached" during tomorrow's meeting with Hurd.

Di Tella made it clear that "it is a likely proposal, but we have not yet settled on any particular sum. We believe the monetary element must be included as part of the overall solution (to the issue of sovereignty over the islands)."

Asked if he will negotiate President Carlos Menem's visit to London, Di Tella replied that "the time is not right."

He announced that the British "education minister will travel to Buenos Aires" to represent her government at the president's inauguration on 8 July.

Brazil

Lampreia, U.S. Trade Representative To Discuss Trade Relations

PY0706121995 Sao Paulo GAZETA MERCANTIL in Portuguese 1 Jun 95 p A8

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] Brazil and the United States will review bilateral trade relations after the meeting

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of American Continent ministers in Denver, Colorado, on 30 June. The meeting to discuss bilateral trade relations will be held between Foreign Minister Luiz Felipe Lampreia and U.S. Trade Representative Mickey Kantor. The Brazilian Government is concerned over the stagnation of Brazilian exports to the United States and increased U.S. sales to Brazil.

At the beginning of the 1980's, the United States sold no more than $4 billion to Brazil and had trade deficits of as much as $5 billion. Recently, however, the largest U.S. deficit — which occurred in 1990 — totalled $2.9 billion. In 1991, the negative balance dropped to $500 million and the U.S. trade deficit accumulated between 1992 and 1994 did not surpass $1.9 billion.

The Brazilian Government and Brazilian entrepreneurs believe U.S. protectionism makes the access to U.S. market of products such as steel, orange juice, shoes, and iron alloy increasingly more difficult. Marcus Vinicius Pratini de Moraes, president of the Brazilian Foreign Trade Association, said U.S. Government levies a $0.45 tax on each pound of orange juice imported from Brazil and collects an 8 percent to 10 percent tax on Brazilian-made shoes.

The Brazilian Government deems insufficient the 15-percent deduction granted by the U.S. Government within the framework of the Uruguay Round of the former GATT on the specific tariffs on all orange juice imported from Brazil ($492 per tonne). Itamaraty believes there are excessive tariffs on imports of shoes and textiles.

The surtaxes on steel products are another problem. Of the $210 million worth of goods Brazil exported in 1992, $60 million were surtaxed.

In Denver, the two ministers will not exchange lists of products harmed by trade restrictions and will begin to discuss ways to move trade relations to another level.

Cardoso Denies Shift to 'Neoliberal' Position

PY0706143495 Sao Paulo AGENCIA ESTADO in Portuguese 2329 GMT 6 Jun 95

[By Tania Monteiro]

[FBIS Translated Text] Brasilia, 6 Jun (AE) — In an interview with the "Telefe" television channel of Buenos Aires, President Fernando Henrique Cardoso today said that despite criticism that he has become a neoliberal, he continues to be a social democrat. "The expression used here — in the political struggle — to refer to the neoliberal position, is not true," he said. The president criticized leftist parties that oppose constitutional reforms. "They are people who live in the past," he said, recalling that he was elected to make the reforms and that he has the support of a majority in Congress.

Cardoso explained his position in favor of the opening of state-run companies to the market. "It is wrong to believe that state-run companies should operate independently, with strict state control on all investments," he said. Speaking about his privatization program, he described the timetable for the sale of state-run companies, emphasizing that state assets in the energy sector amount to approximately $50 billion. "Yet we will not sell all of that," he said.

After praising the work by Congress, he recalled that the government has had victories in votes on economic reforms by 350 or 360 votes to 100 or 120. "Congress has not disappointed me," he said, noting that only two or three parties did not support him. "It is precisely the party that lost the elections, the party of Lula, the Workers Party," the PC do B [Communist Party of Brazil], and Leonel Brizola's PDT [Democratic Labor Party]. "The other parties are supporting me."

During the interview, Cardoso said he favors a more active engagement of workers in investment and entrepreneurial management in order to reduce the cost of telephone services, electric power, gasoline, and port services. He said this is a major challenge for unions in the modern world: "Pave the way for workers' participation in the decisionmaking process."

The president emphasized that market laws prevail in Brazil, and despite the adjustments, no one should fear any surprises. "We are convinced that the national currency value is based on the free market, rather than on a government maneuver," he stated. In order to allay the concerns of Argentines regarding the trade balance between the two countries, the government has said that Brazil will not use the exchange rate as an instrument to increase its exports or hinder its imports.

Concerning President Carlos Menem, recently reelected, President Cardoso remarked that the leaders of the continent need two virtues: courage and conviction. "One should be convinced of what will be done, and then have the courage to do it," he noted.

In response to a question about his personal security, which was reinforced after protest demonstrations, the president said he has no fear for his life, although he admitted that the protests awakened his advisers' concern.

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PT Leader Criticizes Cardoso Over Oil Workers Strike

PY070615 95 Sao Paulo AGENCIA ESTADO in Portuguese 1300 GMT 6 Jun 95

[Report by Milton F. da Rocha Filho]

[FBIS Translated Text] Sao Paulo, 6 Jun (AE) — During the "Jo Soares Eleven Thirty" program — aired by the "SBT" [Brazilian Television System] last night — PT [Workers Party] President Luiz Inacio Lula da Silva said the oil workers' strike may influence the vote on the amendment to ease the petroleum monopoly. The first vote will take place on 7 June. He said, however, that this is not an irreversible situation. He said oil workers wanted a 10 percent salary adjustment, based on an agreement reached at the end of 1994 with President Itamar Franco and which was not respected.

He said the agreement could cost Petrobras [Brazilian Petroleum Corporation] 200 million reals, while the government — in its "eagerness" to oppose the oil workers' strike — spent approximately $20 million per day on petroleum byproduct imports. He added that this move may have cost $1 billion. He criticized: "In its attempts to avoid paying the oil workers, the government ended up spending a lot more on imports." Lula said that in all his union experience he never saw something like the media campaign against this strike. He said: "The media led a massacre, frightening people 20 days ago, when there was not even a chance of a shortage. This prompted an excessive demand for gas and fuels."

Lula said President Cardoso made a mistake by saying that he would not negotiate with oil workers. The PT leader said: "Even during the worst moments of the dictatorship, during the Ernesto Geisel and Joao Figueiredo governments, we managed to find government people with whom to talk whenever a strike became tougher, as in the case of this strike," adding: "The oil workers' strike toughened and dialogue was needed to resolve it. There was no dialogue, and the president put his foot in it. Yet I cannot pass judgment on the Fernando Henrique Cardoso government based on five months. We must wait a bit longer before adopting a position."

Lula said he intends to leave the PT presidency in August, and that he will not seek reelection. He believes now is the moment to restructure party cadres and to give younger members a chance to become known nationwide. He intends to restart his tours throughout Brazil as he did during the electoral campaign last year. He wants to meet with people and learn about their real needs. He said that many things in Brazil could be resolved with simple solutions, but this does not happen because big solutions are always sought. Lula said he has already been replaced as PT president by Rio Grande do Sul leader Olivio Dutra, and by Sao Paulo leaders Luis Gushiken and Rui Falcao. He said: "I have always favored renewal and I make a point of showing it."

President Cardoso's Domestic Political Strategy Analyzed

PY0706165095 Sao Paulo FOLHA DE SAO PAULO in Portuguese 4 Jun 95 Section 1 p 16

[Article by Andrew Greenlees]

[FBIS Translated Text] President Fernando Henrique Cardoso has already clearly shown how he manages his relations with ministers, assistants, and political allies: Never tell everything to just one person.

In other words, Cardoso does not want anyone to assume the role of prime minister, which he played during Itamar Franco's administration.

Several sectors have developed within the government power structure, although none of them has the monopoly of contact with the president. This practice reflects an application of the old political adage of dividing in order to conquer.

The Planalto Palace group has the advantage of being physically close to the presidential office. The president every morning meets with presidential Secretary General Eduardo Jorge Caldas Pereira and Civilian Household Chief Clovis Carvalho. These two coordinate Planalto Palace bureaucracy, while Carvalho also has the function of making sure the ministers do what they have to do.

The large volume of information in the hands of Eduardo Jorge and Carvalho's hard style produce daily friction between them at the ministries' esplanade.

For example, at the ministerial and sectorial meetings, Carvalho usually interrupts long statements. He frequently interrupts Communications Minister Sergio Motta, another government strongman.

At the ministers' level, one hears grumbling about the amount of time Eduardo Jorge and Carvalho spend with Cardoso. Yet ministers and political leaders have already learned that despite their direct access to the president, it is possible to bypass Eduardo Jorge and Carvalho.

A direct phone call to Cardoso's office is sufficient. In most cases, if there is no immediate answer, a return call will come a few hours later.

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Government leaders in Congress have already heard allied leaders say more than once that it is easier to talk with the president than with official bank and state-run company presidents.

Finance Minister Pedro Malan is one minister who every day has longer personal or telephone conversations with the president. Faithful to his objective of avoiding a repetition of the Itamar Franco government, Cardoso has recently encouraged a balance of power between Malan and Planning Minister Jose Serra.

Aware of Serra's "bulldozer" approach, Cardoso was pleased to see that the PFL [Liberal Front Party] some time ago hosted a dinner to honor Malan. Furthermore, by accepting Central Bank President Persio Arida's resignation, Cardoso removed an obstacle from the path of his finance minister.

During his visit to the United States in April, Cardoso sent a strongly worded message to Sergio Motta, who was talking too much about other government areas, during the "sociological masturbation" incident.

Spokesman Sergio Amaral said the president did not want any assistants voicing opinions outside their areas. Both Amaral and Public Relations Adviser Ana Tavares have daily personal access to the presidential office.

Serra, Sergio Motta and Malan are members of another power group. This, the "Alvorada Group," comprises people with access to less formal meetings and dinners — even on weekends — at the official residence. This group includes, among others, Education Minister Paulo Renato; Vilmar Faria, an intellectual close to [First Lady] Ruth Cardoso; and Justice Ministry cabinet chief Jose Gregori.

In the political area, Cardoso has exchanged views with Ceara Governor Tasso Jereissati (PSDB) [Brazilian Social Democracy Party] and Rio Grande do Sul Governor Antonio Britto (PMDB) [Brazilian Democratic Movement Party].

Chamber of Deputies President Luis Eduardo Magalhaes is another rising star at Planalto Palace, while former PSDB Senator Jose Richa has been entrusted with informal missions in Fernando Henrique Cardoso's political coordination action. No political coordinator or prime minister has yet been officially designated.

States Seeking To Renegotiate Domestic Debt With Union

PY0506195095 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 27 May 95 p A3

[Editorial from the "Notes and Information" page: "States Want To Renegotiate Their Debts"]

[FBIS Translated Text] The progress in the constitutional reform within the Chamber of Deputies, and the high interest rate policy, have encouraged states to pressure the Union. The states want a new round of renegotiation of the debts they owe to the Treasury and to institutions like CEF [Federal Savings Bank]. The executive branch needs political support to make sure that the reform will move forward. Yet interest rates have so worsened the financial situation of states — which was already very bad — that rates are now giving grounds for governors' demands.

A long debt renegotiation process was held during the previous administration, during which governors agreed to earmark 11 percent of their state revenues for repaying the debt. Lawmakers Ney Suassuna and Ronaldo Cunha Lima have submitted projects to reduce state debts. One of them seeks to reduce the above percentage to 9 percent. The proposal seeks not only to reduce the allocation percentage, but also to cancel royalty payments and matching fund transfers. This is fine for states but very bad for the Union. An indirect evidence of the importance of state blocs is reflected by the fact that in the voting on the telecommunications amendment, the PMDB [Brazilian Democratic Movement Party] of Paraiba had to give five of its votes to the opposition. As a result of this, former Paraiba Governor Cicero Lucena — the current Regional Development Secretary — felt under constraint and tendered his resignation, which was not accepted by the president.

State debts have grown at a high rate. According to the Central Bank, the domestic public debt rose from 17.015 billion reals [R] in June 1994 to R25.794 billion in April 1995. According to studies by private institutions, the weight of this debt on the gross domestic product rose from 3 percent in 1991 to 5.5 percent in February 1995. The Constitution approved in 1988 transferred vast Union funds to the states, mainly as IR [Income Tax] and IPI [Industrial Products Tax] transfers. However, there was a process of uncontrolled expenses, most of them payroll expenses, which expanded the administrative structure of states and exerted pressure on the general public deficit.

The finance and planning ministers are against a new renegotiation, on the grounds that if it receives no funds, the CEF will be unable to fulfill its own investment projects. In a technical discussion, it would be difficult to rebut the argument that in the first quarter of the year, ICMS [Goods and Services Movement Tax] revenues grew by 34 percent in states, with respect to the same period in 1994. The State and Municipal Government Participation Fund has also grown. The effects of a renegotiation will be rapidly noted: Non-transferred

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state funds will make Union funds drop. The president, however, has agreed to discuss alternative solutions for this problem and for the rural sector debt. The renegotiation is expected to yield states R1.4 billion per year. Sao Paulo, with the largest debt (45 percent of state domestic debts), may remain indebted to the Paraiba senators.

Chile

Government Said To Value Pinochet Remarks on Letelier Case

PY0606150995 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 6 Jun 95

[FBIS Translated Text] The government has appraised General Pinochet's remarks to the effect that the Army will respect the Supreme Court ruling on the Letelier case.

[Begin Minister Secretary General of Government Jose Joaquin Brunner recording] We value the remarks made last night by the Army commander in chief, which are fully in keeping with the opinion of all state institutions, political parties, and moral institutions such as the Church, and several personalities, in the sense that Chile is taking the path of reconciliation through strict respect for the prevailing legal system, within which the acceptance of the ruling issued by courts is essential. [end recording]

Parties of the coalition and of the right have also agreed in positively appraising Gen. Augusto Pinochet's remarks.

Army Reiterates Compliance With Letelier Case Ruling

PY0706021495 Santiago EL MERCURIO in Spanish 3 Jun 95 p C2

[FBIS Translated Text] Brigadier General Eugenio Videla, Army 2d Division commander, with headquarters in Santiago, reiterated yesterday that the Army will obey the ruling of the Second Chamber of the Supreme Court, which sentenced retired General Manuel Contreras and Brigadier Pedro Espinoza to seven and six years in prison, respectively, for the murder of ex-Foreign Minister Orlando Letelier.

Gen. Videla said: "The Army has a constitutional mandate, and that mandate must be respected."

Gen. Videla, who was wearing fatigues upon leaving the Armed Forces building, pointed out yesterday that in order to be able to fulfill its constitutional mandate, the Army must "exist" as an institution of the Republic. He said this in allusion to the Army's concern that the court ruling against Contreras and Espinoza may lead to the reopening of several cases of human right violations (given amnesty by a special law in 1979) in which military men were involved.

Sources linked to the Army said that the reopening of cases is reportedly being promoted by some sectors to undermine the achievements of the military government, to discredit the Army, and to create a future escalation of instability that military men do not want or accept.

Gen. Videla's comments basically agree with the remarks made on 31 May by Defense Minister Edmundo Perez Yoma, who after meeting with the corps of generals at the Lo Curro Military Club, said that acceptance of the court ruling by the Army "was never in doubt," as should be expected from any institution of the Republic.

Perez Yoma also said that the court ruling that sentences retired Gen. Contreras and Brig. Espinoza only affects the two men, and not the Army, which is "absolutely out of this case."

Gen. Videla made brief comments yesterday at the conclusion of a new informative meeting held by the high officers of the Santiago Garrison in the Army Command Headquarters.

The new meeting, which was headed by Army Commander General Augusto Pinochet and Army Deputy Commander General Guillermo Garin, began at 0900 and ended after 1000.

The generals who attended the meeting, except for Gen. Videla, left at 1015 without making any comments.

Even though an Army declaration with its viewpoint regarding the ruling on the Letelier case cannot be ruled out, it has been learned that the Army has reportedly already decided not to issue a declaration after the meeting held with the Defense Minister.

After the meeting, Generals Pinochet and Garin left the building in their respective vehicles with escort, taking Bernardo O'Higgins Avenue toward the Arturo Merino Benitez International Airport. Other Army generals were waiting in the VIP hall of the airport, including Major General Jaime Concha, who is the Army inspector general, and Brigadier General Victor Lizarraga, who is the chief of the Advisory Committee.

Gen. Pinochet and his advisers boarded an Army plane that took off at 1135 for Iquique. The plane landed in the Diego Aracena Airport in Iquique at 1430.

During his stay in the northern part of the country Gen. Pinochet will visit the Army units in that zone, and will participate in the Infantry Day ceremony on 7 June.

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It was learned that Defense Minister Perez Yoma also left yesterday afternoon to possibly spend the weekend in Puerto Montt.

Well-informed sources said that Perez Yoma will leave for Arica on 5 June, where he will join Gen. Pinochet in attending the 116th anniversary ceremony for the battle of Morro de Arica.

Colombia

Samper Voices 'Optimism' Regarding Peace Talks

PA0406194895 Madrid EFE in Spanish 1454 GMT 4 Jun 95

[By Antonio Martinez]

[FBIS Translated Text] Santa Fe de Bogota, 4 Jun (EFE) — President Ernesto Samper today warned he will not allow the guerrillas to attempt to reach the negotiating table through an "escalation of violence," such as has been seen in recent weeks, but he also voiced optimism about the possibility of reaching a peace agreement.

In an interview with EFE, Samper described as "misguided" the decision by the rebels to try to show their strength through a wave of attacks at a time when conditions to begin negotiations are being discussed.

"This is a misguided position, because it forces the government to act in kind," the president noted, adding, "it is not an act of revenge by the Army in advance of the negotiations, but, rather, the Army is complying with its constitutional duty to maintain order."

A wave of guerrilla and terrorist attacks in recent weeks has claimed dozens of lives, and it included an attack on the Colombian capital just a few days after Samper announced his intention to open direct talks with the four active insurgent groups in this country of nearly 40 million people.

The Revolutionary Armed Forces of Colombia (FARC), the largest and oldest rebel group, and the Army of National Liberation (ELN), the second largest group commanded by former Spanish priest Manuel Perez, expressed their desire to hold talks with the government, but at the same time they stepped up their military actions.

Dissident factions of the Maoist Popular Liberation Army (EPL) and the April 19 Movement (M-19) also have expressed a willingness to discuss peace, starting with talks to humanize the war. The former did not accept the peace agreement signed in 1991 with the previous government, and the latter refused to disband in 1990.

Despite the recent escalation of violence, Samper told EFE he has not lost his "optimism over the possibility of finding a negotiated settlement because, among a number of reasons, we all know that the only way to end wars is through peace agreements."

The president said several "friendly countries," including Spain and Costa Rica, have volunteered their assistance in expediting the negotiations with the guerrillas. Samper also announced he will discuss the matter next week with Spanish Deputy Prime Minister Narcis Serra who will visit Colombia to inaugurate [sentence as received]

Peace Commissioner Holmes Views Peace Talks

PA0306212695 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 1 Jun 95

[Telephone interview with Peace Commissioner Carlos Holmes Trujillo by Fabio Callejas, Dario Arizmendi, and unidentified reporter; place not given; from "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Callejas] We are here with Peace Commissioner Carlos Holmes Trujillo. The national government has confirmed its resolve to hold a dialogue, as has been stated by Colombian President Ernesto Samper Pizano himself. A security council meeting was held in recent hours with the ministers of defense and government and Peace Commissioner Holmes. Good morning, Mr. Holmes. How can we sum up the government's position following the recent violent guerrilla attacks?

[Holmes Trujillo] Good morning. As for the Ministry of Defense, the minister himself made the corresponding announcements. As for my area of responsibility, I stressed that the government condemns these recent acts of violence; it rejects and repudiates them as do the rest of the people. I also pointed out that the latest communique by the FARC [Revolutionary Armed Forces of Colombia] is being analyzed thoroughly and carefully. This confirms that the government's willingness to negotiate a long-sought political solution to the armed conflict remains intact.

[Callejas] In its latest communique, the FARC has made a number of demands, including a military withdrawal from La Uribe's urban area. What is the government's reaction to this?

[Holmes Trujillo] President Samper himself stated the government's position. The government is willing to remove troops from certain areas in La Uribe Municipality, concentrating troops in the municipal capital and surrounding the area until all the necessary guarantees are eventually agreed on. This is the government's position and the latest FARC communique is being analyzed based on this position.

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[Arizmendi] Will the government cave in to the demand by the guerrillas that La Uribe's municipal capital also be demilitarized?

[Holmes Trujillo] I have confidence that the president's position is so broad and flexible that it leaves room to reach the necessary procedural agreements before holding a first meeting with the FARC, in which the parties would lay the foundations for a possible negotiation with that group.

[Callejas] When will the government issue an official response to the latest position assumed by the FARC secretariat?

[Holmes Trujillo] We are working on that, but I do not believe there is any reason to rush an answer. We are considering all the recent circumstances.

[Callejas] People wonder whether the guerrillas have become stronger during the Samper administration. Have they become stronger?

[Holmes Trujillo] The effort being made by President Samper is not geared to the current situation. His endeavor has nothing to do with developments taking place during the months of his administration, but with the situation Colombia has experienced for 30 years. We must then view all of President Samper's efforts and determination within this context.

[Callejas] If the government accepted negotiating with the guerrillas amid the din of combat, why is it acting surprised over the offensive launched by the Simon Bolivar Guerrilla Coordinating Board, or rather the FARC, in several cities, including Santa Fe de Bogota?

[Holmes Trujillo] The government is not acting surprised; the government rejects and condemns these acts of violence as all Colombians do. The government's proposal to hold talks amid the din of conflict followed a realistic course. We must also recall that President Samper himself announced that, unfortunately, the acts of violence that all Colombians condemn will continue occurring as long as peace is not achieved.

[Callejas] What would you tell those Colombians who disagree with holding talks amid the war?

[Holmes Trujillo] I believe taking this position is realistic and wise, considering the circumstances of the Colombian conflict. In addition, I want to stress that the fact that there is a willingness to talk in no way implies that the government will stop fulfilling its constitutional and legal duties regarding actions by the Armed Forces. To this effect, the president has been categorical, repetitive, and explicit.

[Unidentified female reporter] Mr. Peace Commissioner, what repercussions could the announcement made by the government and the defense minister to stage an offensive and to arrest people who are violating the legal order have upon the guerrilla ranks?

[Holmes Trujillo] The government has to fulfill its constitutional and legal duties, which do not contradict the explicit commitment to hold a dialogue.

[Arizmendi] Mr. Holmes Trujillo, the defense minister came out and expressed doubts about the possibility of holding a first meeting. He even talked about the possibility of withdrawing the proposal to demilitarize La Uribe, as proposed by you and by the president of the Republic. The next day the government minister came out with a different position. Now you come up with a another position. Why so many spokesmen? Should the handling of the information in this regard not be concentrated in a single person, namely you?

[Holmes Trujillo] No, Dario, those are not different positions. We all have the same position. What the defense and government ministers have said is that these latest incidents have to be condemned. The atmosphere is adversely affecting the process and, of course, it is adversely affecting the credibility of the Colombian people on the feasibility of a negotiated solution. I have said the same thing. What happened is that each one has his own sphere of responsibilities. The defense minister has his responsibility and is fulfilling his obligations. The government minister has his own responsibilities and is fulfilling his obligations. I have my own responsibilities and am fulfilling my obligations.

[Arizmendi] Does the peace commissioner agree with what the government minister said? The government minister reiterated the defense minister's position when he said that if the FARC guerrillas continue to demand the demilitarization of the municipal capital of La Uribe, there would be no talks held with the FARC.

[Holmes Trujillo] What I said — and I reiterated it a few moments ago — is that the government's position, from the president's mouth, is to assemble Army troops in the municipal capital, thereby surrounding the site with all the guarantees. The position remains the same. It is so flexible and broad that this position can allow us to reach the procedural agreements that are needed. There is no contradiction of any kind.

[Arizmendi] Will the position be maintained knowing the demands made by the guerrillas not to assemble troops in the municipal capital?

[Holmes Trujillo] The government's position is to assemble troops in the municipal capital.

[Arizmendi] That is not negotiable?

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[Holmes Trujillo] In the framework of that position there is room to work and to seek the necessary procedural agreements.

[Arizmendi] Assembling troops in the municipal capital is not negotiable?

[Holmes Trujillo] The government's position has been clear. I repeat: It is the position of the president himself, and I must point out once again, Dario, that it is so broad that it allows us to work and to reach procedural agreements.

[Arizmendi] I know, but the question is: Is the withdrawal of the public force from La Uribe negotiable?

[Holmes Trujillo] The government's position remains unchanged, and that is why I have repeated it three times so that the public can clearly understand it. I know you understand it.

[Arizmendi] It is perfectly clear, Mr. Peace Commissioner. Finally, what is the role of the peace commissioner, what is the role of the defense minister, and what is the role of the government minister?

[Holmes Trujillo] The duties of the defense and the government ministers are established both constitutionally and legally. My duties have been established by the president of the Republic. My duty is to seek a rapprochement with the guerrillas in order to open up roads for a negotiated solution. I also have to permanently convene the civilian society and define a possible negotiation agenda. That is why we have already announced talks with the National Liberation Army, in which we are going to lay the groundwork for the humanization of the conflict with Francisco Caraballo [leader of a Popular Liberation Army dissident group, imprisoned in August 1994]. The willingness to initiate talks with the Jaime Bateman Cayon Movement was also announced.

I repeat, given the broadness and flexibility of President Ernesto Samper's position in the search for peace through political means, we will be able to work with the necessary elements to hold the first meeting with the FARC.

De la Calle on Constitutional Reform

95CA0245A Santa Fe de Bogota EL TIEMPO in Spanish 21 May 95 pp 5, 24A

[Commentary by Vice President Humberto De la Calle Lombana: "Constitutional Reform"]

[FBIS Translated Text] Constitutional reform has once again emerged as an issue in Colombian politics.

The Constitution of 1991 is not perfect. But its spirit is alive. I do not think that the constitution is dead, and many of the current problems of the political system stem from the failure to develop it further or from deformations of political customs that cannot be remedied exclusively through legislative measures. Nevertheless, the debate is legitimate, and doubtless something can be done to improve the constitution. It provides the means for its own amendment, which in and of itself speaks well of it. Those of us who were involved in one way or another in drafting it are not going to shrink from the debate, which for the time being is quite confused since the guidelines of the revision process have not yet been spelled out.

But before we start down that road, a few reflections are in order.

In the first place, the reform process must preserve the spirit of renewal that inspired the 1991 sessions. To speak of a counterreform smacks of revanchism, which is not appropriate in a discussion of fundamental institutions. Although the powers vested in the various bodies that are cooperating in this constitutional task should not be curtailed, it would not be worthwhile to weaken so many of the 1991 reforms that were adopted with the consent of an overwhelming majority of Colombians. The well known shortcomings of politics are prompting the public to accentuate, not repeal the spirit of the constitution.

Second, the source and procedure used in 1991 embody enormous political values that must not be scrapped now. Instead of blushing over the seventh ballot, the intense work sessions, the active involvement of new sectors, and the broad, diverse Constitutional Convention, we should point out that it was a major landmark in Colombia's history. To spurn these developments would be a terrible, clearly inappropriate, and monumentally short-sighted act of revenge.

Third, I think that instead of tossing the Constitution of 1991 into the trash can, we should analyze its accomplishments objectively. In contrast to what its detractors think, I believe that the bottom line on the constitution is favorable. We used to complain about having a stagnant political system, but now new figures have been able to enter it and traditionally marginalized minorities have been incorporated.

Under this constitution we have seen a greater sensitivity to and activism for fundamental rights. The "tutela" [a challenge by a citizen to an infringement of constitutional rights] is a formidable democratic mechanism for safeguarding such rights, whether we like it or not and even if mistakes are sometimes made. The State and powerful groups are being brought before the courts day after day. This carries risks, but has been opening up huge battlefronts against arbitrary actions.

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Constitutional oversight, in the hands of a court that has done an excellent job, has shown that we truly live under the rule of law.

The Office of the Prosecutor General, although it has a colossal task ahead of it, has shown that we can curb impunity. There are constitutional provisions that must be further developed to continue this task. One of them is the possibility of annulling ownership of ill-gotten assets. Alongside this, the new powers of the oversight bodies, rounding out the battery of tools to battle corruption and crime, are beyond debate.

Democratic participation entails a new definition of the State, of the role of political parties, and of the presence of civil society. Participation is not confined to political mechanisms but rather ought to become a daily event: probes to battle corruption; consultation with the communities about certain social investments; democracy in trade associations and unions, in universities; a more transparent civil service; recognition of and respect for minorities.

There are checks and balances on Congress that undeniably help to make legislative action more ethical: removal from office, the elimination of slush funds, a list of conflicts of interest that may seem excessive at times but is designed to ennoble the legislature's work, and greater political oversight, including the censure motion. Much remains to be done, but it entails moving forward, not undoing what has been done.

How many years had it been since codes, law and order, or penal issues had been debated in Congress? We cannot forget that we have put behind us the period of protracted martial law that severely distorted our institutional architecture. The statutory law on states of emergency that was enacted is neither silly nor naive; rather, it provides for democratic controls on presidential powers.

The long-standing debate on the advantages of a unicameral system should be conducted undogmatically. The Constitutional Convention rejected it by a wide majority. In that forum I had the opportunity to discuss certain advantages of the bicameral system, which can be summarized thus: the sacrifice of some degree of efficiency in exchange for greater reflection in the legislative process and a Congress that is less vulnerable to outside influences or to the emotion and haste that characterize certain junctures in national life. Nevertheless, the debate is altogether legitimate, as is the debate on the national electoral district. I recall that back then we worked on a compromise arrangement so that some senators could be elected in regional districts and the rest in a nationwide vote, which is a system that favors minorities and allows for a more balanced representation of voters' opinions. This idea may be worthy of reconsideration. What I regard as unwise is the suggested complete abolition of the national electoral district.

The commitment to sound money through an independent board of Bank of the Republic, democratic debate on the Development Plan inside and outside Congress, and the fiscal strengthening of the provinces are not minor achievements either. For almost 100 years we heard the provinces complain futilely about centralism. Now there have been striking gains in political decentralization, and in the fiscal arena almost half of national revenues are administered by local authorities. What doubt can there be that we need to lend greater consistency to this process. But not to return to centralism, which one former president described as the disease of this century.

One final note: The public cannot remain uninvolved in this debate. Closed-door negotiations are inappropriate. The essential issues ought to be put to a referendum. Luckily, the constitution itself provides that a significant group of citizens can demand that the electorate be consulted mandatorily.

Ecuador

Conflict With Peru Used as Pretext for 'Economic War'

PA0806042995 Quito Voz de los Andes in Spanish 1700 GMT 6 Jun 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The government is bent on turning the conflict with Peru into a permanent pretext to justify its economic war against the Ecuadoran people. This new blow bolsters our patriotic spirit not to accept the measures but to fight those who increase hunger, misery, and sell out our homeland.

At the end of the confrontation, it was announced that war expenditures amounted to $350 million, and now it is being said that the figure is more than $900 million. How can the cost during the demobilization be twice as much as that incurred during the times of the conflict, or is it that war bonus payments to top officials have been very, very onerous, CONAIE [Confederation of Indian Nationalities of Ecuador] asked.

It is dishonest for the government to appeal to national unity and the citizens' understanding by smothering us treacherously with the measures it has adopted. The government keeps talking about the elimination of subsidies but the truth is that the people have subsidized the state, while state resources, the most profitable, are being raffled off immorally and unpatriotically for

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the benefit of a group of inhuman businessmen. These leaders' attitudes are what cause the disruption of order and affect the tranquillity of Ecuadoran families, CONAIE concluded.

Paco Moncayo's Statements on DMZ Counterproposal

95SM0364A Quito EL COMERCIO in Spanish 31 May 95 p 3-A

[Report on Interview with General Paco Moncayo, Army Chief of Staff and commander of Ecuadoran military operations in the Cenepa; received via Internet: "Paco Moncayo Ratifies His No"]

[FBIS Translated Text] The commanding general of the Army and chief of operations in the armed conflict with Peru, General Paco Moncayo, said yesterday that Ecuador had not agreed to the observers' proposal, inasmuch as it included areas that were not at issue in the war, such as the Banderas outpost and several scattered areas around Coangos.

General Paco Moncayo said:

Ecuador will propose the demilitarization of a smaller area, limited to the sector where the fighting really took place. The statement of the guarantor nations is merely a proposal and need not be accepted against their wills by either of the two countries.

Ecuador and Peru will make known their views on these proposals, and the demilitarized zone will be defined based on the criteria of the two countries.

The Coangos river basin has never been claimed by Peru, not even in its most recalcitrant and euphoric demands. The area in dispute is farther down river; in this area there are neither boundaries nor borders.

If there is no border line, it must be negotiated. I have always said that direct negotiations are not possible. The political powers of Ecuador as well as of Peru are not going to give up even a millimeter of their positions due to social pressure. Only arbitration by a personality such as that of the pope would be able to reach an equitable and fair judgment.

It should not be forgotten that in addition to the Cenepa basin, there are more than 10 frontier locations in dispute: Lagartococha, Bellavista, at the mouth of the Curaray river, and others.

Our counterproposal must try to make the demilitarized zone smaller, so that the Banderas outpost and other places would be outside of it. Ecuador is not prepared to allow itself to be humiliated ever again. Ecuador is ready to face a war of any magnitude, even though it be the worst of wars. They can come with whatever they have, because here they will find a people ready to fight, to make of each centimeter of its territory a deadly trap for those who dare to invade it. This is my personal opinion, it does not reflect the opinion of the Armed Forces nor of the Joint Command. Ecuador will never again be taken by surprise.

Peru

Fujimori Reshuffles Cabinet, Appoints 3 New Ministers

PY0706202695 Madrid EFE in Spanish 1926 GMT 7 Jun 95

[FBIS Translated Excerpt] Lima, 7 Jun (EFE) — In a sudden but much expected cabinet reshuffle, Peruvian President Alberto Fujimori today changed three of his 13 cabinet members.

The new cabinet members are: Amado Yataco was appointed energy and mines minister, replacing Daniel Hokama; Manuel Vara was appointed minister of the presidency, replacing Maria Luisa Federici; and Dante Cordova was appointed education minister, replacing Pedro Villena. [passage omitted]

Border Garrisons Commander Meets Chilean Counterpart

PY0706134595 Madrid EFE in Spanish 2324 GMT 6 Jun 95

[FBIS Translated Text] Lima, 6 Jun (EFE) — High-ranking military officers from Peru and Chile today began the fifth bilateral meeting of commanding generals from border garrisons in Arequipa, the second most important Peruvian city.

Military sources reported that the meeting seeks to foment mutual confidence and to develop a security concept within a regional South American framework that will help to enhance a closer friendship and cooperation between the two border garrisons.

Reports add that the agenda of the military meeting includes an analysis of institutional matters, among which is the use of informatics in Armed Forces work, and a search and rescue service.

The meeting in Arequipa — the capital of Arequipa department, located 1,000 km south of Lima — will end on 10 June.

The Peruvian news agency ANDINA reports that the Chilean military delegation is headed by Air Force Brigadier General Eulogio Machuca, and the Peruvian delegation is headed by Peruvian Air Force Major General Gustavo Romero.

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Venezuela

Chamber President Defends Congress

PA0706002895 Caracas ECONOMIA HOY in Spanish 4 Jun 95 pp 12, 13

[Interview with Venezuelan Chamber of Deputies President Carmelo Lauria by Argelia Rios; place and date not given]

[FBIS Translated Text] [Rios] Judging by the manner in which events have occurred, it seems that there are circumstances that are unalterably cornering President Caldera. Could you tell us if interinstitutional actions that could shed light on a likely national agreement are being planned?

[Lauria] As president of the Chamber of Deputies, I can tell you the following: We have made all the institutional efforts to allow a democratic government. We have even run the risk of being told we are supporting all the bad things the government is doing. We have tried to give the government a framework of stability for it to do things well. Unfortunately, I believed it missed the opportunity... Here in Congress, we believe that a national dialogue is necessary to conspire against this crisis. However, the president does not hold talks with anyone, and I do not know if he does not do it because he does not have the answers or because he refuses to discuss them. I also do not know if he does not do it because he refuses to be involved, even though he was elected to do it. This is an overwhelming situation, because it has no precedents... The chief of state must talk to the country's sectors and personalities; he has to feed on them. However, he only meets with his subordinates, his ministers... During his first term, he used to meet weekly with the Copei [Social Christian Party] National Committee, and Miraflores was open to Fedecamaras [Venezuelan Federation of Associations and Chambers of Commerce and Industry], civilian society, the church, and all sectors. By contrast and although a year and a half of government has elapsed, I believe that none of us could recall a working meeting with the president... We are facing a government that has used the radio the most in the history of the Republic. I imagine that each minister accounts for his actions over the radio. Not even a meeting to compare criteria is held.

[Rios] However, the country's situation has worsened, and popularity ratings have begun to change. Do you not believe in the possibility of these facts changing or on the contrary — as is expressed in many folk songs — do you think that the president could be thinking of paving the way for a unconstitutional solution or for a Constituent Assembly?

[Lauria] We are objective indeed. In the speech Caldera delivered at the closing of the CTV [Venezuelan Workers Confederation] Congress, he said he was making all efforts to preserve the institutions. We are objective indeed. He also uttered a significant warning in that speech: the president pointed out that there were people in the country who believed that we could wipe the slate clean with magical and traumatic solutions in an effort to forge a new Venezuela. He cited the experience we gained from the federal war, through which absolutely nothing was resolved and which, on the contrary, brought forth autocracy and dictatorship. Caldera even explained all this as an absolutely undesirable circumstance. Why did he do it? Because, structurally speaking, he is a democrat, a founder of democracy, and because he knows that if he acts differently, he would be denying himself. Probably, the important thing is that Caldera is listening to himself and will realize that he will solve nothing with this sort of haste and threats. Regarding the Constitution, Arturo Uslar himself has said he does not believe in this magical solution, because it fails to resolve the problems; on the contrary, it creates them... So that, if there is a Venezuelan, or Caldera himself, who thinks that by landing a blow against the institutions, new times will come, he is utterly wrong, because we do not have well-structured institutions to do this. This reason is why I am deliberately citing the crisis of discipline and the institutional crisis of the National Armed Forces [FAN].

[Rios] Now that you mentioned the seriousness of the FAN's institutional crisis, do you believe that dangerous divisions are being triggered that could later pose a threat to democracy?

[Lauria] Of course, and this reason is why I cannot explain to myself how Caldera, who is the FAN commander in chief, has allowed this crisis... This constitutes another phenomenon of the president's laid back attitude and his washing his hands of all problems. Caldera would have never done that before. In other times, he would have dismissed the minister and the Court Martial regardless of the risks. Discipline in the FAN is above any other consideration.

[Rios] What is the path to resolve all these problems arising from the crisis?

[Lauria] First, I believe that any popular or military move or any action by Caldera that sparks a trauma would constitute just another coup d'etat and would trigger total anarchy and a civil war in Venezuela. However, because I like to talk positive, I believe we must keep on making efforts to demand Caldera hold that big dialogue that would let the country move forward. We must make the president see that he has to

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set an example by calling people to Miraflores, because this is the path to start working together. Caldera must talk to people and his aides, because if he fails do so, the country could act differently.

[Rios] You pointed out that Congress has zealously cooperated with the executive branch by even approving its most negative actions. You said that this is the manner in which stability is instilled into democracy and that the president has failed to express a willingness to hold talks. Would it not be then more reasonable to start changing the strategy by conditioning that support to a change of course? Why are talks not summoned from here? Why are the corrections not invoked from here?

[Lauria] The thing is that the duties of Congress are to control the executive branch, to hold a big national political debate, and to legislate.

[Rios] But even with the cooperation Congress has provided, its credibility remains very low...

[Lauria] Of course, because the discredit of public institutions encompasses Congress... And it has another peculiarity; people who have been elected are also responsible for discrediting Congress... Now, what Congress should do — this is what we are trying to do — is to establish a stand. We must not forget that just as we ask the Executive Branch not to interfere in Congress' functions, Congress must not encompass the functions of the executive and the head of state at the same time.

[Rios] However, Congress is the country's political forum and it might at least promote that discussion, which is more necessary each day.

[Lauria] That forum is taking place: great discussions originate here. Here the problem of the suspension of guarantees is being discussed, as well as the problem of inflation and the fiscal deficit. But what Congress can do is discuss said problems and give feedback to the executive, enabling it to comply with the people. We cannot replace the Executive Branch. Each state branch has its power and its attributions. We cannot force the president into doing something, much the same way the president cannot force Congress into doing other things. What Congress can in fact do is to conduct a political debate that places reality before the president.

BETWEEN FREEDOM AND FEAR

[Rios] But that debate has not been formulated. In fact, the perception is that of a Congress that has given the government a blank check, even validating its mistakes.

[Lauria] That is for one very simple reason. You must remember that this debate takes place everyday, but it is also important to establish that we move within what people call between freedom and fear. How far can we go with our opposition, given that the majority of Congress is fundamentally in opposition? We run the risk of seeing the government fall and our primordial task is to preserve democracy.

[Rios] Don't we also run the risk of seeing the economic and social situation become worse toward the end of the term and democracy not stabilized?

[Lauria] I absolutely agree. That is where the ability of the politician lies. We must maintain democracy, but achieving our objectives. In this regard, with its actions Congress has told the government: "Gentlemen, present a solution to the fiscal deficit"... And as long as that solution is not presented, we will defer the tax on financial transactions and continue to work in other areas. In the face of the ruin of the agriculture sector, Congress is discussing the possibility of granting a special tax treatment. In the face of the fundamental health problem, Congress is currently discussing a Medicine Bill. In the face of the social injustice that was being perpetrated against retirees, a Law Homologizing Pensions to the Minimum Wage was recently approved. This means that we are doing what we should be doing, within the framework of our constitutional attributions. However, I would like to state something not only as president of the Chamber of Deputies but as a Venezuelan. Here we must change the discourse, and I want to take this opportunity to issue a warning: All the debate seems fatally reactive. We react to a reality instead of conducting proactive actions. The Anti-Inflation Pact is there; inflation can only be reduced by increasing production, productivity, and employment. I personally will work to promote proactive instead of reactive institutions. This is how we must begin to see things in Venezuela, because otherwise we will not overcome the crisis.

THE PROBLEM IS CALDERA, NOT HIS CABINET

[Rios] Perhaps given the levels of the crisis, many sectors opposed to accepting the policies of opening see in them an opportunity or at least a necessary path. However, the same is not perceived in President Caldera....

[Lauria] What I think is that the government is acting in a reactive manner. But the saddest thing is that at the conceptual level, there should not be differences and that is why we should view President Caldera's inauguration speech as a reference. There he made statements in favor of an open and competitive economy; he spoke of macroeconomic and fiscal equilibrium, of the struggle against inflation and austerity in public spending.

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[Rios] Some people think there is a problem of incompetence in the cabinet. Do you feel the same way?

[Lauria] I want to say one thing: Here we always want to put the blame on others and excuse the president of the republic. That is the eternal story of the country; to blame the cabinet and not the president. I don't think that way. The cabinet is appointed by the president and if the cabinet fails, he must change it. Therefore, I don't blame the ministers. Guilt is not with the club, but with he who carries it. If Caldera had a group of people to consult with, discuss, and reflect, the situation would be different. That is why we are so concerned over the seclusion of the president within himself. No dialogue possibilities have opened up. Not even with the president of Congress, who is a member of the Democratic Convergence, or with the president of the Chamber of Deputies, who is a member of AD [Democratic Action], the party with the largest number of senators and deputies. So far this period, we, as president and vice president of Congress, have had only one meeting with the president of the republic. And it was a meeting we had requested. At no time during our tenure here, and regardless of the individual conversations we may have had, have we been summoned to Miraflores to ask us for an institutional opinion on how we see things. And if the president and vice president of Congress have not been called to Miraflores to ask for our opinion, it is because absolutely no one has been called.

THE CONSTITUENT ASSEMBLY IS A COUP D'ETAT

[Rios] If given such a delicate picture prevailing in the country, President Caldera has not expressed, according to you, any interest or desire to hold a dialogue, wouldn't he be seeking a solution like a constituent assembly to negotiate with less discredited political players? There has been a lot of talk about this in recent weeks.

[Lauria] We believe that a constituent assembly is a coup d'etat; it is like killing the Constitution because it does not allow it. That is what Caldera, a general, a sergeant, a popular leader can do, but it is a coup d'etat. If that happens, it is a forceful coup, it is an incidental event for which we don't have an antidote. Why? Because we don't have policemen, weapons, or forces to oppose the use of force. That is not the nature of Congress. What I can in fact tell you, in my capacity as Chamber of Deputies president, is that most deputies and senators are ready to defend democracy no matter how much it costs. That is indeed a conviction, a principle.

[Rios] What impact do you think the report by the comptroller general had on the public opinion?

[Lauria] The report by the comptroller general demonstrates that, in order to fight against corruption, the discourse or will of the president is not enough. Instead, it is necessary to change absolutely the cultural situation of Venezuela toward a country of work, a country that rewards effort, toward a productive country. What the report by the comptroller general demonstrates is that corruption is a structural problem from which no government is exempted.

TIME HAS RUN OUT

[Rios] We go back to the beginning. What will Congress do in light of the worsening of the crisis? Will it continue to provide unconditional support?

[Lauria] I think that all political sectors and all institutions have given the government enough time to act. The period that is beginning is that of doing all we must do to force the government into doing things differently. This is because, I am going to tell you something, if the government's conduct remains unchanged, the failure of democracy will be inevitable, and we believe in democracy. We have given the president an ample margin to act and, unfortunately, he has not done things as we expected.

[Rios] Do times of opposition lay ahead?

[Lauria] From the personal viewpoint, I am convinced that we must wage a constructive opposition at this time so that things get done, not to destroy things. But in colloquial terms, we have already realized the fact that the president will not act, only if "forced to do so."

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